



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL AUDIT

State of Montana

*For the Fiscal Year Ended
June 30, 2009*

JANUARY 2010

LEGISLATIVE AUDIT
DIVISION

08-01B

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FINANCIAL AUDITS

Financial audits are conducted by the Legislative Audit Division to determine if the financial statements included in this report are presented fairly and the agency has complied with laws and regulations having a direct and material effect on the financial statements. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2007, was issued January 23, 2008. The Single Audit Report for the two fiscal years ended June 30, 2009, will be issued by March 31, 2010. Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
Room 277, State Capitol
P.O. Box 200802
Helena, MT 59620-0802

Legislative Audit Division
Room 160, State Capitol
P.O. Box 201705
Helena, MT 59620-1705

Direct comments or inquiries to:
Legislative Audit Division
Room 160, State Capitol
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Reports can be found in electronic format at:
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LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Monica Huyg, Legal Counsel



Deputy Legislative Auditors
James Gillett
Angie Grove

January 2010

The Legislative Audit Committee
of the Montana State Legislature:

This financial audit report contains our Independent Auditor's Report on the basic financial statements and the Schedule of Expenditures of Federal Awards of the state of Montana for the fiscal year ended June 30, 2009. The basic financial statements were prepared by the State Accounting Division of the Department of Administration. The Schedule of Expenditures of Federal Awards was prepared by the Governor's Office of Budget and Program Planning.

The objective of the audit was to express opinions on the opinion units contained in the state's basic financial statements and the related opinion on the Schedule of Expenditures of Federal Awards. The Independent Auditor's Report is on page A-3 followed by the basic financial statements on page B-1, which includes Management's Discussion and Analysis, the financial statements, the Budgetary Comparison Schedule, Pension Plan Information, Other Postemployment Benefits Plan Information, and accompanying notes. The Schedule of Expenditures of Federal Awards begins on page B-111. We issued unqualified opinions on the opinion units in the basic financial statements. We also issued an unqualified in-relation-to opinion on the Schedule of Expenditures of Federal Awards. We discussed issues we identified during the audit with appropriate management personnel during the audit and will report any findings as part of our scheduled financial-compliance audits of state agencies.

Our report on consideration of the state of Montana's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, and grant agreements, which is required by *Government Auditing Standards*, is on page A-1. Auditing standards require us to communicate, in writing, deficiencies in internal control over financial reporting we identified based on an audit of basic financial statements performed in accordance with *Government Auditing Standards* and considered to be significant or material. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our report on page A-1 does not disclose any material weaknesses in internal control.

Auditing standards also require us to communicate, in writing, material noncompliance with the provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on the determination of financial statement amounts. Our report on the consideration of internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, and grant agreements identified instances of noncompliance with the Montana Constitution and state law regarding actuarial soundness of certain retirement systems, which are required to be reported.

Department of Administration and Governor's Office officials reviewed the contents of this report. The Department of Administration's response is on C-1. The Governor's Office chose not to respond in writing.

We thank the Department of Administration's director, the State Accounting Division staff, and the Governor's Office staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

/s/ Tori Hunthausen

Tori Hunthausen, CPA
Legislative Auditor

ELECTED, APPOINTED AND ADMINISTRATIVE OFFICIALS

State of Montana

Brain Schweitzer, Governor

Department of Administration

Janet R. Kelly, Director

State Accounting Division

Paul Christofferson, CPA, Administrator

Accounting Bureau

Julie Feldman, Bureau Chief

Accounting Principles/Financial Reporting Section

Janet Atchison, Accountant

Wendy Feth, Accountant

Charles Idehen, CPA, Accountant

Heather Jarvis, Accountant

Cody Carter, CPA, Accountant

Governor's Office

Office of Budget and Program Planning

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Mark Bruno, Single Audit Coordinator

For additional information concerning the basic financial statements, contact:

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For additional information on the Schedule of Expenditures of Federal Awards, contact:

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Montana, as of and for the year ended June 30, 2009, which collectively comprise the state of Montana's basic financial statements and have issued our report thereon dated December 22, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Montana State Lottery, the Montana University System Self-Funded Workers' Compensation Program, the Montana State University component units, and the University of Montana component units, as described in our report on the state of Montana's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Montana State University component units and the University of Montana component units were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the state of Montana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the state of Montana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the state of Montana's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the state of Montana's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The identified instances of noncompliance are described below:

1. The Public Employees' Retirement Board administers eight defined benefit retirement systems. The Montana Constitution and state law require these systems to be actuarially sound. The actuarial valuation as of July 1, 2009, indicates the Public Employees' Retirement System—Defined Benefit Retirement Plan, Sheriffs' Retirement System, and Game Wardens' and Peace Officers' Retirement System are not actuarially sound.
2. The Teachers' Retirement Board administers a defined benefit retirement system. The Montana Constitution requires this system to be actuarially sound. The actuarial valuation as of July 1, 2009, indicates the Teachers' Retirement System is not actuarially sound.

We noted certain matters that we reported to the management of the state of Montana during the course of our audit work.

This report is intended solely for the information and use of the Legislative Audit Committee, state of Montana management, the Montana State Legislature, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

/s/ James Gillett

James Gillett, CPA
Deputy Legislative Auditor

December 22, 2009

Tori Hunthausen, Legislative Auditor
Monica Huyg, Legal Counsel



Deputy Legislative Auditors
James Gillett
Angie Grove

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Montana, as of and for the year ended June 30, 2009, which collectively comprise the state's basic financial statements, as follows:

Statement of Net Assets
Statement of Activities
Balance Sheet - Governmental Funds
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Statement of Net Assets - Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
Statement of Cash Flows - Proprietary Funds
Statement of Fiduciary Net Assets - Fiduciary Funds
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds
Combining Statement of Net Assets - Component Units
Combining Statement of Activities - Component Units

These financial statements are the responsibility of the state of Montana's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Montana State Lottery and the Montana University System Self-Funded Workers' Compensation Program, which represent 0.3, 0.1, and 21.3 percent, respectively, of the assets, net assets, and revenues of the aggregate remaining fund information. We also did not audit the financial statements of the Montana State University component units and University of Montana component units, which represent, 8.8, 25.6, and (0.6) percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Montana State Lottery, the Montana University

System Self-Funded Workers' Compensation Program, and university component units, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the university component units were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Montana, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Pension Plan Information, and the Other Postemployment Benefits Plan Information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state of Montana's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

At July 1, 2009, the Public Employees' Retirement System – Defined Benefit Retirement Plan, Game Wardens' and Peace Officers', Sheriffs', and Teachers' retirement systems were not actuarially sound. The amortization period for each system's Unfunded Actuarial Accrued Liability is infinite. The maximum allowable amortization period is 30 years.

In accordance with *Government Auditing Standards*, we have issued our report dated December 22, 2009, on our consideration of the state of Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,

/s/ *James Gillett*

James Gillett, CPA
Deputy Legislative Auditor

December 22, 2009

**The State of Montana's Management's Discussion and Analysis,
Financial Statements, Notes, and Required Supplemental
Information, and Schedule of Expenditures of Federal Awards**

INTRODUCTION

Management of the State of Montana provides this *Management's Discussion and Analysis* of the State of Montana's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative overview and analysis of the financial activities of the State of Montana is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the additional information that is furnished in the State's financial statements, which follow.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights

The assets of the State exceeded its liabilities at the end of fiscal year 2009 by \$6.7 billion (reported as net assets) compared with \$6.8 billion at the end of fiscal year 2008. Of this amount, \$596.8 million (reported as unrestricted net assets) may be used to meet the government's general obligations to citizens and creditors. Component units reported net assets of \$1,139.8 million compared with \$1,185.1 million at fiscal year end 2008.

Fund Highlights

As of the close of fiscal year 2009, the State's governmental funds reported combined ending fund balances of \$3.5 billion compared with \$3.3 billion at fiscal year 2008. Of this amount, \$481.3 million is available for spending at the government's discretion (reported as unreserved fund balance). The remaining amount of \$3.0 billion is restricted for specific purposes, such as education. At the end of the fiscal year, unreserved fund balance for the General Fund was \$392.5 million compared with \$433.6 million in fiscal year 2008, which is a decrease of \$41.1 million (9.5%). These changes are discussed in more detail in the financial analysis of the State's major funds presented below.

The State's business-type activity funds reported net assets at the close of fiscal year 2009 in the amount of \$275.0 million compared with the fiscal year-end 2008 net assets of \$357 million. Of the business-type activity fund equity \$7.0 million was unrestricted at fiscal year-end 2009, with \$12.5 million invested in capital assets, net of related debt, leaving a restricted balance of \$255.5 million. This represents a \$4.2 million (37.5%) decrease from the fiscal year-end 2008 business-type activity fund unrestricted net asset balance of \$11.2 million. These changes are discussed in more detail in the financial analysis of the State's major funds presented below.

Long-term Debt

The State's total bonds and notes payable for governmental activities decreased by \$34.4 million, from \$422.7 million in fiscal year 2008 to \$388.3 million (8.1%) in fiscal year 2009.

Business-type activities reported bonds and notes payable of \$1.2 million at fiscal year-end 2009. This represents a decrease of \$0.7 million (36.8%) over the fiscal year-end 2008 reported amount of \$1.9 million. For details relating to the states long term debt see footnote 11.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State of Montana's basic financial statements. The State's basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The report also contains additional required supplementary information (budgetary schedules and other post employment benefits plan information). These components are described below:

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the State – the *government-wide financial statements* and the *fund financial statements and combining major component unit financial statements*. These financial statements also include the *notes to the financial statements* that explain some of the information in the financial statements and provide more detail.

Government-wide Financial Statements

The *government-wide financial statements* provide a broad view of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid. The government-wide financial statements include two statements.

The *Statement of Net Assets* presents all of the government's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the State's net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

Both of the above financial statements have separate sections for three different types of state programs or activities. These three types of activities are as follow:

Governmental Activities – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal grants). Most services normally associated with state government fall into this category, including education (support for both K-12 public schools and higher education), general government, health services, legal and judiciary services, museums, natural resources, public safety and defense, regulatory services, social services, and transportation.

Business-type Activities – These functions are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The major business-type activities of the State include the Unemployment Insurance Fund and the Economic Development Bond Program that assist Montana's small businesses and local governments in obtaining long-term, fixed-rate financing through private Montana lending institutions.

Discretely Presented Component Units – These are operations for which the State has financial accountability, but they have certain independent qualities as well. For the most part, these entities operate similarly to private sector businesses and the business-type activities described above. The State has four authorities and two universities that are reported as discretely presented component units of the State.

Fund Financial Statements (Reporting the State's Major Funds)

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the state government, reporting the State's operations in more detail than the government-wide statements. All of the funds of the State can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The three categories of funds are as follows:

Governmental Funds Financial Statements – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

The State has five governmental funds that are considered major funds for presentation purposes. That is, each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The State's five major governmental funds are the General Fund, the State Special Revenue Fund, the Federal Special Revenue Fund, the Coal Severance Tax Fund, and the Land Grant Fund.

Proprietary Funds Financial Statements – When the State charges customers for the service it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. An example is the State Lottery. An internal service fund reports activities that provide supplies and services for the State's other programs and activities such as the Motor Pool.

Fiduciary Funds – These funds are used to account for resources held for the benefit of parties outside state government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. Fiduciary funds use the accrual basis of accounting. A retirement fund is an example of a fiduciary fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the component unit financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule, which includes the reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund, as presented in the governmental fund financial statements, and other post employment benefits plan information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Montana's overall financial position showed a slight decline from the last fiscal year. This decline was caused by the impacts of the current world-wide recession.

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (government and business-type activities) totaled \$6.7 billion at the end of fiscal year 2009. Net assets of the governmental activities decreased \$29.4 million (0.5%), and business-type activities had an \$82 million (23%) decrease.

A portion of the State's net assets reflects its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges, and other immovable assets) less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the State's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets.

At the end of the current fiscal year, the State was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Net Assets
As of Fiscal Year Ended June 30
(expressed in thousands)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|------------------------------------|-------------|-------------------------------------|-------------|-------------------------------------|-------------|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| Current and other assets | \$4,320,143 | \$4,727,321 | \$495,962 | \$399,183 | \$4,816,105 | \$5,126,504 |
| Capital assets | 3,553,591 | 3,787,835 | 8,733 | 12,539 | 3,562,324 | 3,800,374 |
| Total assets | 7,873,734 | 8,515,156 | 504,695 | 411,722 | 8,378,429 | 8,926,878 |
| Long-term liabilities | 461,857 | 873,087 | 10,857 | 10,555 | 472,714 | 883,642 |
| Other liabilities | 936,491 | 1,196,110 | 136,835 | 126,139 | 1,073,326 | 1,322,249 |
| Total liabilities | 1,398,348 | 2,069,197 | 147,692 | 136,694 | 1,546,040 | 2,205,891 |
| Invested in capital assets, net of related debt | 3,262,932 | 3,526,294 | 8,733 | 12,539 | 3,271,665 | 3,538,833 |
| Restricted | 2,617,435 | 2,329,850 | 337,036 | 255,493 | 2,954,471 | 2,585,343 |
| Unrestricted | 595,019 | 589,815 | 11,234 | 6,996 | 606,253 | 596,811 |
| Total net assets | \$6,475,386 | \$6,445,959 | \$357,003 | \$275,028 | \$6,832,389 | \$6,720,987 |

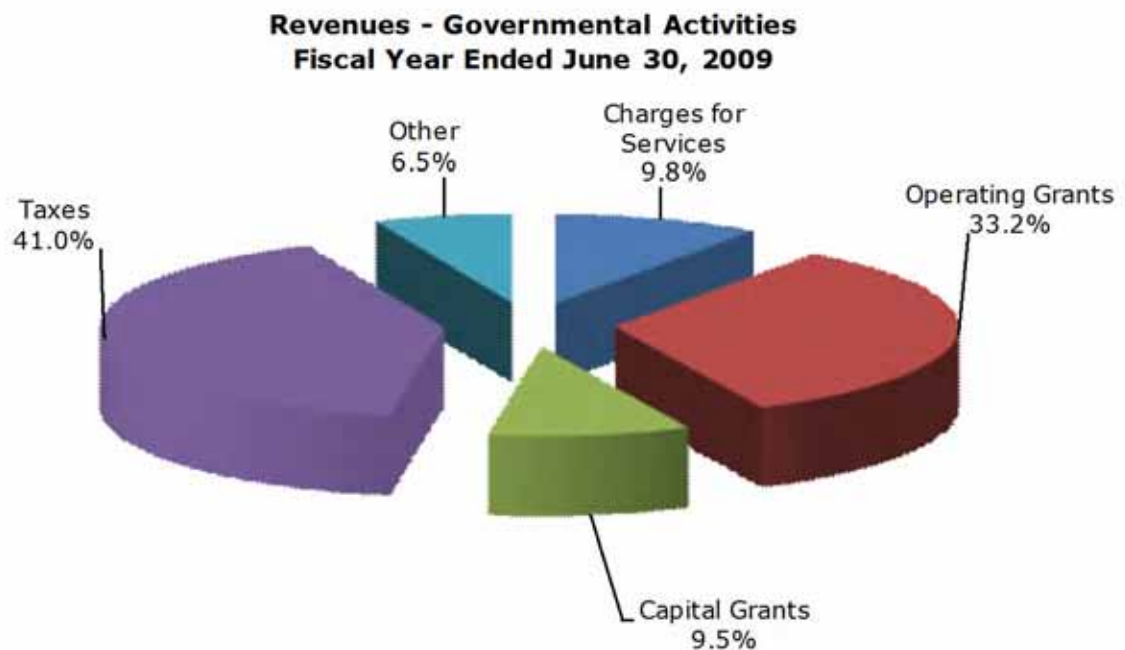
The following condensed financial information was derived from the government-wide Statement of Activities, and reflects how the State's net assets changed during the fiscal year:

Changes in Net Assets
For Fiscal Year Ended June 30
(expressed in thousands)

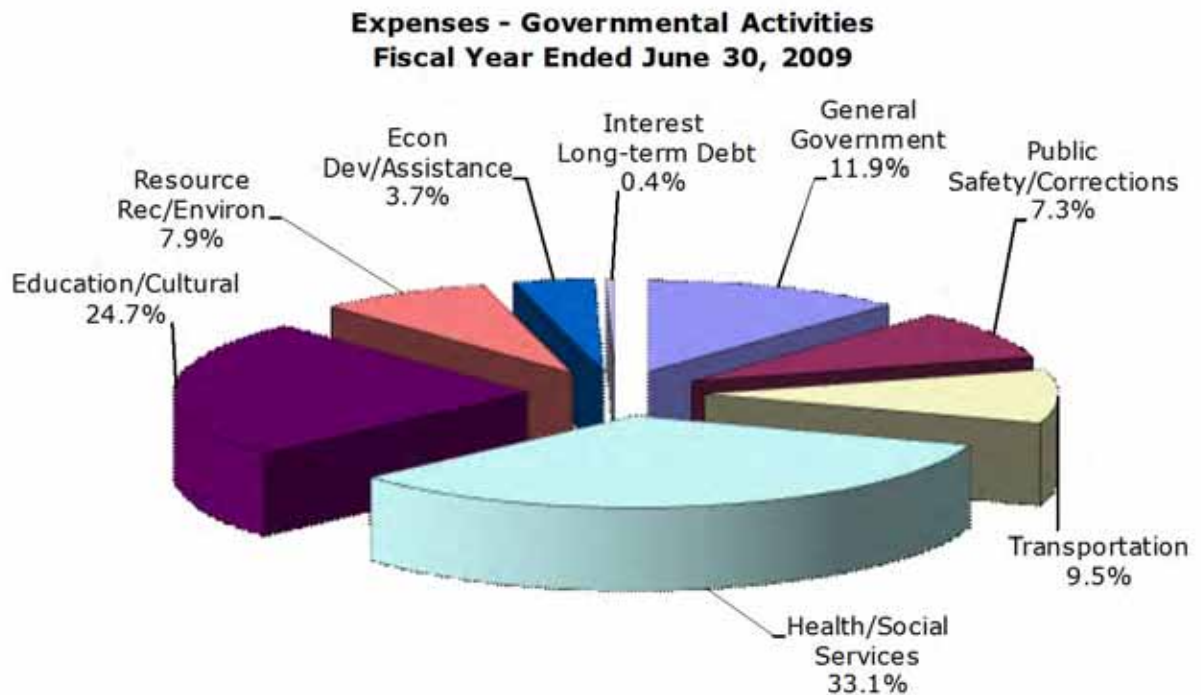
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|------------------------------------|-------------|-------------------------------------|-------------|-------------------------------------|-------------|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| Revenues: | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 584,098 | \$ 483,032 | \$300,952 | \$278,877 | \$ 885,050 | \$ 761,909 |
| Operating grants | 1,493,944 | 1,635,769 | 63,524 | 118,058 | 1,557,468 | 1,753,827 |
| Capital grants | 380,856 | 467,611 | 540 | 1,360 | 381,396 | 468,971 |
| General revenues | | | | | | |
| Taxes | 2,171,422 | 2,017,232 | 20,340 | 24,823 | 2,191,762 | 2,042,055 |
| Other | 123,152 | 320,856 | 3,068 | 2,629 | 126,220 | 323,485 |
| Total revenues | 4,753,472 | 4,924,500 | 388,424 | 425,747 | 5,141,896 | 5,350,247 |
| Expenses: | | | | | | |
| General government | 634,984 | 549,847 | | | 634,984 | 549,847 |
| Public safety/corrections | 322,769 | 408,239 | | | 322,769 | 408,239 |
| Transportation | 488,450 | 438,649 | | | 488,450 | 438,649 |
| Health/social services | 1,380,629 | 1,529,104 | | | 1,380,629 | 1,529,104 |
| Educational/cultural | 1,144,637 | 1,137,772 | | | 1,144,637 | 1,137,772 |
| Resource/rec/envirom | 258,058 | 363,179 | | | 258,058 | 363,179 |
| Econ dev/assistance | 152,456 | 170,027 | | | 152,456 | 170,027 |
| Interest on long-term debt | 18,344 | 18,721 | | | 18,344 | 18,721 |
| Unemployment Insurance | | | 90,269 | 235,949 | 90,269 | 235,949 |
| Liquor Stores | | | 59,227 | 61,446 | 59,227 | 61,446 |
| State Lottery | | | 32,984 | 33,787 | 32,984 | 33,787 |
| Economic Dev Bonds | | | 4,552 | 3,523 | 4,552 | 3,523 |
| Hail Insurance | | | 11,064 | 4,087 | 11,064 | 4,087 |
| Gen Govt Services | | | 56,697 | 60,157 | 56,697 | 60,157 |
| Prison Funds | | | 6,670 | 10,681 | 6,670 | 10,681 |
| MUS Group Insurance | | | 59,334 | 55,023 | 59,334 | 55,023 |
| MUS Workers Comp | | | 3,109 | 3,675 | 3,109 | 3,675 |
| Total expenses | 4,400,327 | 4,615,538 | 323,906 | 468,328 | 4,724,233 | 5,083,866 |
| Increase (decrease) in net assets before transfers | 353,145 | 308,962 | 64,518 | (42,581) | 417,663 | 266,381 |
| Transfers | 43,010 | 42,863 | (43,010) | (42,863) | - | - |
| Change in net assets | 396,155 | 351,825 | 21,508 | (85,444) | 417,663 | 266,381 |
| Net assets, beg of year (restated) | 6,079,231 | 6,094,134 | 335,495 | 360,472 | 6,414,726 | 6,454,606 |
| Net assets, end of year | \$6,475,386 | \$6,445,959 | \$357,003 | \$275,028 | \$6,832,389 | \$6,720,987 |

Governmental Activities

The following [chart](#) depicts revenues of the governmental activities for the fiscal year:

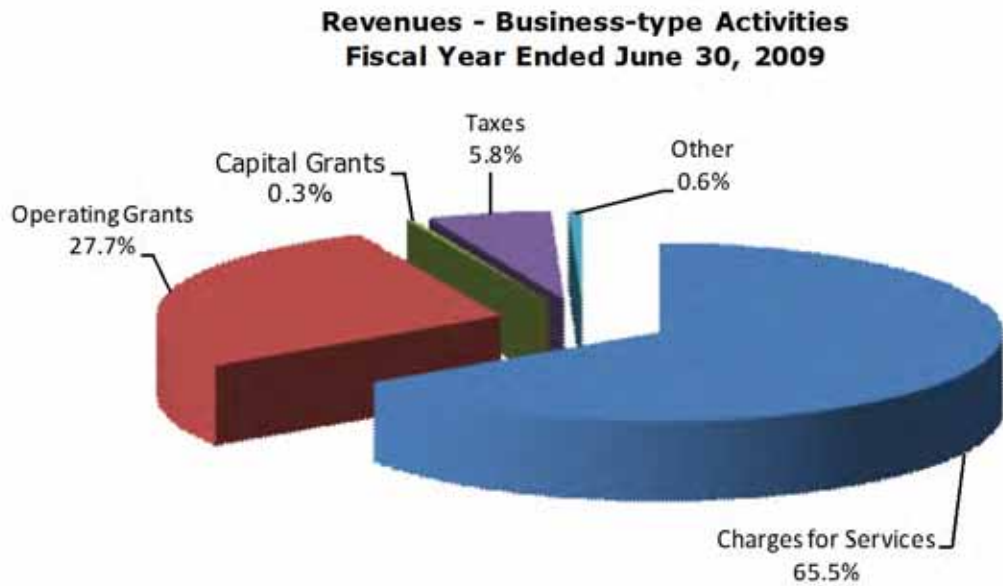


The following chart depicts expenses of the governmental activities for the fiscal year:

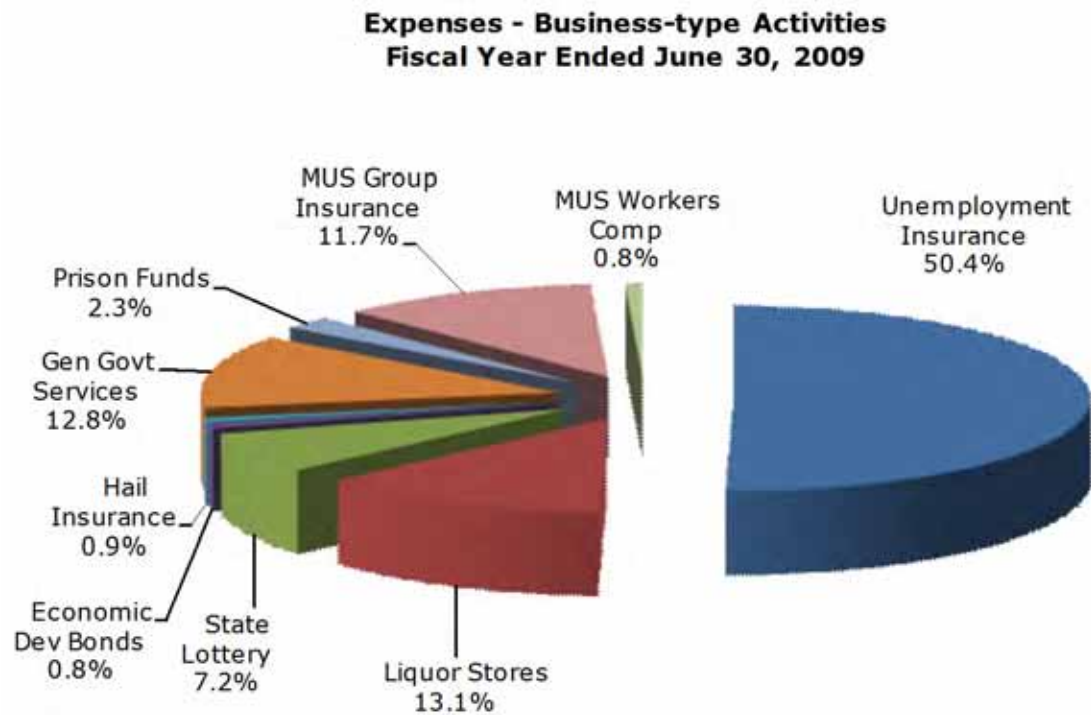


Business-type Activities

The following [chart](#) depicts revenues of the business-type activities for the fiscal year:



The following chart depicts expenses of the business-type activities for the fiscal year:



FINANCIAL ANALYSIS OF THE STATE'S MAJOR FUNDS

As the State completed the year, its governmental funds reported fund balances of \$3.5 billion. Of this total amount, \$481.3 million (13.8%) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved because it is legally segregated for a specific future use, or is not available for new spending, as it has already been dedicated for various commitments. The analysis of these funds provides the explanation for the overall change in net assets at the government-wide level also since these represent the major operating funds of the state as a whole.

General Fund

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$392.5 million. This represents 81.5% of the 481.3 million unreserved governmental fund balance for all governmental funds. The ending General Fund unreserved fund balance was \$208.7 million higher than the anticipated \$183.8 million estimated by the 60th Legislature. Unreserved fund balance decreased during the fiscal year by \$41.1 million, primarily because of less income and natural resource tax revenues. General Fund expenditures for fiscal year 2009 decreased by \$151.9 million (8.1%). This decrease in expenditures offset the impact of decreased revenue collections resulting in the higher than anticipated ending unreserved fund balance. The decreases in both expenditures and revenues are discussed in detail below.

Lower Revenues Than Anticipated – Total General Fund revenue was \$1,744.5 million for fiscal year 2009. This was \$133.3 million (7.1%) less than fiscal year 2008, and \$100.1 million (5.4%) less than what was projected for fiscal year 2009 by the legislature. The decrease in revenue from fiscal year 2008 to fiscal year 2009 was primarily in individual income and oil/natural gas production taxes. Individual income tax revenue decreased \$55.1 million (6.5%). During FY 2009 employment decreased by an estimated 9,900 jobs or 2.2%. While this represents the fourth lowest unemployment rate in the nation, this combined with the national economic slowdown contributed to this income tax decrease. Lower oil and gas prices led to decreased production within the State resulting in natural resource taxes decreasing by \$45.4 million (24.4%) in fiscal year 2009.

Individual income tax fell under the legislative revenue estimate by \$55.6 million (6.5%). Natural resource taxes were under the estimate by \$6.7 million (4.5%). The decrease in both income and natural resource taxes was anticipated during the estimation process, but not to the magnitude encountered during fiscal year.

General Fund Expenditure Budgets – General Fund expenditures were lower than appropriated by nearly \$100.7 million. The related reversions include the following:

- General Government – \$5.3 million in Legislative Branch funding caused by delays in filling positions, project reprioritization within branch-wide network services, budget staffing issues, recruiting issues and high staff turnover.
- Health and Social Services - The Department of Health and Human Services reverted \$11 million of authority as the result of a decrease in Medicaid eligible recipients and an increase in the federal Medicaid matching rate as discussed further in the Federal Special Revenue Fund analysis below. This trend is not expected to continue into future fiscal years.
- Public Safety and Corrections - The Department of Corrections had lower than anticipated growth in the adult secure population causing reversions of \$15.2 million. The Department of Justice incurred \$3.6 million less in major litigation for the Yellowstone River Compact, most of which will be carried forward to the 2011 biennium.
- Economic Development/Assistance - \$15.8 million in authority was reverted by the Department of Commerce. \$2.5 million of this was New Worker Training Authority reverted as a direct result of the recession. \$12.8 million of the remaining reversions were re-appropriated in the 2011 biennium.
- Education/Cultural – K-12 Base Aid reverted \$10 million as the result of unanticipated common schools royalties paid into the state special revenue account and used to offset general fund expenditures. Another \$2.6 million was reverted as a result of fewer bond issues by schools than anticipated.

These reversions do not necessarily translate into decreased expenditures in the General Fund.

Lower General Fund Expenditures – General Fund expenditures decreased by \$151.9 million (8.1%). The major factors behind this decrease are summarized below:

- General Government - A one-time property tax offset payment program of \$94.6 million occurred in fiscal year 2008. This program was not continued into fiscal year 2009.
- Resource Recreation and Environment – A special revenue fund was established in the special session for firefighting costs. This change was the primary driver in the \$50.8 million (70.8%) decrease in costs at the Department of Natural Resources in the General Fund.
- Health and Social Services - The Department of Health and Human Services spent \$16.9 million (4.8%) less from the General Fund primarily as the result of a decrease in Medicaid eligible recipients and the increased federal matching percentage as discussed in the reversion section above, and the Federal Special Revenue Fund section below.
- Including the base aid reduction discussed in the reversion section above, Office of Public Instruction expenditures, primarily payments to the local schools for K-12 funding, decreased by 28.7 million (4.2%) . This decrease was offset by increased higher education funding of \$14.5 million (8.1%) from the General Fund.

State Special Revenue Fund

At the end of the current fiscal year, the fund balance of the State Special Revenue Fund was \$1.4 billion. Fund balance increased during the fiscal year by \$221.6 million (18.8%).

Higher State Special Revenue Fund Revenues - Fines and forfeitures and federal indirect cost recoveries increased \$69.6 million (72.3%) and \$11.9 million (27.4%) respectively. The increased fines and forfeitures were primarily generated by three major pollution remediation and restoration settlements related to the Butte area, Clark Fork River and Smelter Hill. These represent revenue sources that are not of an on-going nature. The federal indirect cost recovery increase was caused by the full recovery of transportation related indirect costs. These increases were partially offset by decreased natural resource taxes of \$59.8 million (30.9%). This decrease resulted partially from the fall in oil, natural gas, copper, and other natural resource prices which, in turn, caused decreased production of these minerals within the State generating the lower revenue.

Lower State Special Revenue Fund Transfers In - Transfers in were less by \$32.1 million (16.5%) primarily as a result of a decrease in mineral and timber royalty activity.

Higher State Special Revenue Fund Expenditures - Expenditures within the State Special Revenue Fund increased by \$19.5 million (2.4%). Expenditures in the General Government function decreased \$51.1 million (23.1%) primarily because of a \$46.9 million reduction in oil production tax distributions to the counties. The decreased expenditures in the general government function were primarily offset by increases in the following functions and activities:

- Public Safety/Corrections expenditures increased by \$10.8 million (19.8%). This increase was primarily driven by increases in pollution remediation/reclamation expenditures from the Butte/Silverbow Creek reserve and consumer education settlement expenditures.
- Resource/Recreation/Environmental expenditures increased by \$22.9 million (17.2%). Fire suppression spending increases of \$11.7 million resulted from moving this activity from the General Fund. Other significant increases in activity within this function occurred in Fish, Wildlife and Parks, \$4.1 million, and Environmental, \$5.7 million.
- Economic development increased by \$11.2 million (15%). These increases were in the Big Sky economic development projects, \$7.7 million (46.7%), and visitor and tourism development, \$2.8 million (22.5%).
- Capital Outlay increased \$7.5 million as the result of increased highway infrastructure construction.

Federal Special Revenue Fund

Fund balance in the Federal Special Revenue Fund increased by \$18.2 million. This increase resulted primarily as the result of the recognition of \$21.8 million of the \$26.6 fire fighting revenue deferred in fiscal year 2008.

Revenues increased by \$233.3 million (14.9%) and expenditures increased by \$185.8 million (11.3%). Because most federal programs are expenditure-driven, a direct correlation normally exists between revenues and expenditures. Programs such as Guaranteed Student Loan, Section Eight Housing, Livestock Shell/Egg are allowed to carry assets in their federal entities, creating a normal overall positive balance for the fund as a whole.

Expenditures primarily increased in the health/social services and general government functions by \$162.5 million (17.9%) and \$15.8 million (99.2%) respectively. The increases were in the following activities:

- General government expenditures increased as the result of higher distributions of federal Forest Reserve funds to the counties.
- Health/social services spending increased in the Medicaid Title XIX program by \$125.5 million resulting primarily from an increased federal matching percentage. \$60.1 million of the increased federal funding in the Medicaid Title XIX program resulted from additional American Recovery and Reinvestment Act (ARRA) funding. Other significant increases in federal funding for the health and social services function included Supplemental Nutrition Assistance Program (SNAP) Benefits, 24.2 million, and the Children's Health Insurance Program (CHIP), \$4.8 million. Of the increase in Supplemental Nutrition Assistance Program spending, \$4.4 million of the funding was provided through ARRA. The additional SNAP needs directly relate to the current US economic recession.
- The decrease in transportation related expenditures of \$53.3 million (40.3%) was offset by the capitalization of federally funded assets, primarily transportation related infrastructure of \$82.6 million (34.7%).

Coal Severance Tax Permanent Fund

Reserved fund balance in the Coal Severance Tax Permanent Fund increased by \$13 million (1.6%). Coal tax revenues increased \$2.4 million (10.9%) due to increased coal production, primarily for export outside the US, while investment earnings decreased \$10.2 million (23.8%) as a result of the impact of the continued national recession.

On December 21, 2009, the Montana Land Board approved the solicitation of competitive bids on State coal leases at Otter Creek. If the bidding process is successful, and coal production ensues, these leases could result in significant increased revenues in the Coal Tax Permanent, Land Grant Permanent, and State General funds.

Land Grant Permanent Fund

Reserved fund balance in the Land Grant Permanent Fund decreased by \$2.7 million (0.6%). Within this fund investment earnings fell by \$10.2 million (36.8%) as the result of the impact of the recession on investments. Timber sales fell by \$2.4 million (24.2%), and the sale of right of way fell by \$1.8 million (84%) as the result of the impacts of recession on the timber industry. These decreases in revenue were largely offset by increases in oil and gas bonus payments of \$9.9 million (449.5%) and coal royalties of \$2 million (33.7%). Coal production continues to increase in Montana and future oil exploration and production is expected to increase even though the current oil production level decreased as a result of the recession.

Unemployment Insurance Enterprise Fund

Net assets restricted for unemployment compensation decreased by \$81.2 million (29.3%). This reflects the impact of increased, and sustained, high unemployment throughout fiscal year 2009. Unemployment rose from 4.4% in July to 5.4% in December 2008. The unemployment rate for July 2009 was 6.7%. Unemployment premium collections decreased by \$10.2 million (11.9%) as a result of the recession. Federal grant revenue increased \$59.7 million (905.1%), primarily as a result of ARRA funding for extended benefits, \$26.5 million and the temporary extended unemployment compensation act, \$33.2 million. Unemployment benefits paid increased by \$145.3 million (160.9%).

Economic Development Bonds Enterprise Fund

Net assets increased by \$765,000 in fiscal year 2009. The fund did not experience significant changes in operations during fiscal year 2009. The increase in net assets was primarily generated as the result of an operating transfer of \$725,000 from the board of investment internal service fund.

General Governmental Functions

Revenue sources for general governmental functions, which are reported in the General, Special Revenue, Debt Service, Capital Projects, and Permanent funds, increased 4.7% from fiscal year 2008 to fiscal year 2009. Revenues from various sources for fiscal year 2009, and the amount and percentage of increases and decreases in relation to prior year revenues are shown in the following table (amounts in thousands):

| Revenue Source | Amount | 2009 Percent of Total | Increase (Decrease) from 2008 | Percent Increase (Decrease) |
|-------------------------------|--------------------|-----------------------------|-------------------------------------|-----------------------------------|
| Licenses/permits | \$ 283,423 | 5.8% | \$ (332) | (0.1)% |
| Taxes | 2,005,328 | 41.1 | (157,600) | (7.3) |
| Chg srv/fines/forfeits/settle | 255,068 | 5.2 | 66,550 | 35.3 |
| Investment earnings | 114,857 | 2.4 | (50,308) | (30.5) |
| Securities lending income | 7,531 | 0.2 | (1,348) | (15.2) |
| Sales doc/merch/property | 15,271 | 0.3 | (4,440) | (22.5) |
| Rentals/leases/royalties | 73,080 | 1.5 | 7,904 | 12.1 |
| Contributions/premiums | 20,576 | 0.4 | 3,395 | 19.8 |
| Grants/contracts/donations | 28,919 | 0.6 | 1,094 | 3.9 |
| Federal | 1,843,050 | 37.8 | 226,137 | 14.0 |
| Federal indir cost rcvly | 110,326 | 2.3 | 13,761 | 14.3 |
| Other revenues | 116,783 | 2.4 | 111,891 | 2,287.2 |
| Total revenues | <u>\$4,874,212</u> | <u>100.0%</u> | <u>\$216,704</u> | <u>4.7%</u> |

Total expenditures for all governmental functions increased 1.7% from fiscal year 2008 to fiscal year 2009. Expenditures by function for fiscal year 2009, and the amount and percentage of increases or decreases in relation to the previous year amounts are depicted in the table below:

| Expenditure Function | Amount (in thousands) | 2009 Percent of Total | Increase (Decrease) from 2008 | Percent Increase (Decrease) |
|---------------------------------|--------------------------|-----------------------------|-------------------------------------|-----------------------------------|
| General government | \$ 428,723 | 9.2% | \$ (116,939) | (21.4)% |
| Public safety/corrections | 335,877 | 7.2 | 24,783 | 8.0 |
| Transportation | 311,838 | 6.7 | (48,545) | (13.5) |
| Health/social services | 1,526,287 | 32.7 | 153,952 | 11.2 |
| Education/cultural | 1,136,056 | 24.3 | (1,492) | (0.1) |
| Resource/recreation/environment | 238,834 | 5.1 | (61,373) | (20.4) |
| Economic development/assistance | 168,778 | 3.6 | 19,722 | 13.2 |
| Securities lending | 2,917 | 0.1 | (4,327) | (59.7) |
| Debt service | 53,278 | 1.1 | 580 | 1.1 |
| Capital outlay | 464,378 | 10.0 | 113,267 | 32.3 |
| Total expenditures | <u>\$4,666,966</u> | <u>100.0%</u> | <u>\$ 79,628</u> | <u>1.7%</u> |

The changes in revenues and expenditures are discussed in detail in the major fund analysis.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounted to \$5.6 billion, net of accumulated depreciation of \$1.8 billion, leaving a net book value of \$3.8 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the State's investment in capital assets for the current fiscal year was approximately 5.6 % in terms of net book value. Most of the year's capital expenditures were for construction or reconstruction of roads and bridges. Additional information on the State's capital assets can be found in Note 5 of the notes to the financial statements.

Debt Administration

Montana receives excellent general obligation bond ratings from both Moody's Investor Service (Aa2), Standard and Poor's Corporation (AA) and Fitch Ratings (AA). The State received a bond rating upgrade from Standard and Poor's in 2008.

State debt may be authorized either by a two-thirds vote of the members of each house of the Legislature, or by a favorable vote of a majority of the State's electors voting thereon. There is no constitutional limit on the amount of debt that may be incurred by the State. The Montana Constitution does, however, prohibit the incurring of debt to cover deficits caused by appropriations exceeding anticipated revenue.

The State of Montana's general obligation debt decreased from \$201.6 million at June 30, 2008, to \$182.6 million at June 30, 2009. \$9 million is available in debt service funds to service this debt leaving a balance of \$173.6 million in net general obligation debt outstanding.

The ratio of general obligation debt to personal income and the amount of net general obligation debt per capita are:

| | Amount <i>(in thousands)</i> | Percentage of Personal Income (1) | State Debt Per Capita (2) |
|-------------------------|--|--|--|
| General obligation debt | \$173,600 | 0.52% | \$179 |

(1) Personal income is for calendar year 2008.

(2) Based on estimated 2009 Montana population.

More detailed information regarding the State's long-term obligations is presented in Note 11 to the financial statements.

ECONOMIC CONDITION AND OUTLOOK

The unemployment rate for the State of Montana was 6.4% in the second quarter of 2009, which is an increase from the rate of 4.4% during the second quarter of 2008. In October 2009, the State's rate returned to 6.4% after attaining highs of 6.7% in both July and September. This compares favorably with the U.S. rate of 10.2% but reflects the continued impact of the national recession on Montana's economy.

The 61st Legislative Session adjourned on April 27, 2009, with a projected ending general fund balance of \$282.4 million for the 2011 biennium. During fiscal year 2009, Montana's economy showed weakening related to the recession but did not experience the severe decline encountered in most other states, with the General Fund balance, as of June 30, 2009, at the \$392.5 million level.

As of June 30, 2009 four of the state retirement systems were not actuarially sound, and had an unfunded actuarially accrued liability. These include the Teachers, Public Employees Defined Benefit Plan, Sheriffs, and Game Warden & Peace Officers retirement systems. The actuarial condition of these plans are fully disclosed and reported as required by Generally Accepted Accounting Principles (GAAP), and explained in greater detail in Note 6 and Note 18 of the financial statements. The unfunded actuarial liability of these plans is long-term in nature, and does not translate into an inability of the plans to meet their current obligations in the near future.

The other state retirement systems are actuarially sound as of fiscal year end 2009.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Montana's finances for all of Montana's citizens, taxpayers, customers, investors, and creditors. The financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the State of Montana, State Accounting Division, Room 255 Mitchell Building, Capitol Complex, Helena, MT 59620.

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STATEMENT OF NET ASSETS

JUNE 30, 2009

(amounts expressed in thousands)

| | PRIMARY GOVERNMENT | | | COMPONENT UNITS |
|--|----------------------------|-----------------------------|--------------|--------------------|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | |
| ASSETS | | | | |
| Cash/cash equivalents (Note 3) | \$ 1,416,374 | \$ 281,467 | \$ 1,697,841 | \$ 241,455 |
| Receivables (net) | 388,649 | 36,101 | 424,750 | 79,655 |
| Due from primary government | - | - | - | 4,862 |
| Due from other governments | 212,200 | 676 | 212,876 | 28,205 |
| Due from component units | 2,070 | 5,052 | 7,122 | 1,207 |
| Internal balances | (9,154) | 9,154 | - | - |
| Inventories | 27,506 | 3,265 | 30,771 | 5,053 |
| Advances to component units | 8,557 | 7,548 | 16,105 | - |
| Long-term loans/notes receivable | 287,589 | 36,145 | 323,734 | 850,143 |
| Equity in pooled investments (Note 3) | 1,613,742 | - | 1,613,742 | 28,649 |
| Investments (Note 3) | 397,992 | 10,856 | 408,848 | 1,468,655 |
| Securities lending collateral (Note 3) | 367,702 | 4,786 | 372,488 | 188,540 |
| Deferred charges | 3,513 | 1,315 | 4,828 | 7,850 |
| Other assets | 10,581 | 2,818 | 13,399 | 60,673 |
| Capital assets (net) (Note 5) | 3,787,835 | 12,539 | 3,800,374 | 701,989 |
| Total assets | 8,515,156 | 411,722 | 8,926,878 | 3,666,936 |
| LIABILITIES | | | | |
| Accounts payable | 481,315 | 12,917 | 494,232 | 78,601 |
| Lottery prizes payable | - | 2,680 | 2,680 | - |
| Due to primary government | - | - | - | 7,122 |
| Due to other governments | 42,557 | 53 | 42,610 | 145 |
| Due to component units | 4,723 | 138 | 4,861 | 1,207 |
| Advances from primary government | - | - | - | 16,105 |
| Deferred revenue | 39,885 | 5,233 | 45,118 | 28,506 |
| Amounts held in custody for others | 36,661 | 20 | 36,681 | 66,645 |
| Securities lending liability (Note 3) | 367,702 | 4,786 | 372,488 | 188,540 |
| Other liabilities | 2,943 | - | 2,943 | 9,348 |
| Short-term debt (Note 11) | - | 88,620 | 88,620 | - |
| Long-term liabilities (Note 11): | | | | |
| Due within one year | 137,516 | 10,213 | 147,729 | 200,287 |
| Due in more than one year | 873,087 | 10,555 | 883,642 | 1,895,485 |
| OPEB implicit rate subsidy (Note 7) | 82,808 | 1,479 | 84,287 | 35,184 |
| Total liabilities | 2,069,197 | 136,694 | 2,205,891 | 2,527,175 |

| | PRIMARY GOVERNMENT | | | COMPONENT UNITS |
|---|----------------------------|-----------------------------|--------------|--------------------|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | \$ 3,526,294 | \$ 12,539 | \$ 3,538,833 | \$ 435,852 |
| Restricted for: | | | | |
| Transportation | 98,510 | - | 98,510 | - |
| Fish, wildlife, and parks | 75,558 | - | 75,558 | - |
| Federal grants | 27,886 | - | 27,886 | - |
| Debt service/construction | 720 | - | 720 | 12,569 |
| Unemployment compensation | - | 195,904 | 195,904 | - |
| Funds held as permanent investments: | | | | |
| Nonexpendable | 1,414,841 | - | 1,414,841 | 223,254 |
| Expendable | 21,014 | - | 21,014 | - |
| Housing authority | - | - | - | 155,356 |
| Resource/environment | 458,765 | - | 458,765 | - |
| Other purposes | 232,556 | 59,589 | 292,145 | 79,467 |
| Unrestricted | 589,815 | 6,996 | 596,811 | 233,263 |
| Total net assets | \$ 6,445,959 | \$ 275,028 | \$ 6,720,987 | \$ 1,139,761 |

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

(amounts expressed in thousands)

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE |
|---|--------------|----------------------------|---|---|-----------------------------|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 549,847 | \$ 68,982 | \$ 93,398 | \$ 1,438 | \$ (386,029) |
| Public safety/corrections | 408,239 | 144,748 | 77,415 | 6,569 | (179,507) |
| Transportation | 438,649 | 37,204 | 47,391 | 405,457 | 51,403 |
| Health/social services | 1,529,104 | 35,554 | 1,083,800 | - | (409,750) |
| Education/cultural | 1,137,772 | 113,433 | 175,544 | 42,930 | (805,865) |
| Resource/recreation/environment | 363,179 | 39,929 | 105,005 | 10,480 | (207,765) |
| Economic development/assistance | 170,027 | 43,182 | 53,216 | 737 | (72,892) |
| Interest on long-term debt | 18,721 | - | - | - | (18,721) |
| Total governmental activities | 4,615,538 | 483,032 | 1,635,769 | 467,611 | (2,029,126) |
| Business-type activities: | | | | | |
| Unemployment Insurance | 235,949 | 75,591 | 78,156 | - | (82,202) |
| Liquor Stores | 61,446 | 67,242 | - | - | 5,796 |
| State Lottery | 33,787 | 43,841 | - | - | 10,054 |
| Economic Development Bonds | 3,523 | 26 | 3,531 | - | 34 |
| Hail Insurance | 4,087 | 6,859 | 174 | - | 2,946 |
| General Government Services | 60,157 | 21,548 | 35,452 | 1,360 | (1,797) |
| Prison Funds | 10,681 | 6,620 | - | - | (4,061) |
| MUS Group Insurance | 55,023 | 52,147 | 559 | - | (2,317) |
| MUS Workers Compensation | 3,675 | 5,003 | 186 | - | 1,514 |
| Total business-type activities | 468,328 | 278,877 | 118,058 | 1,360 | (70,033) |
| Total primary government | \$ 5,083,866 | \$ 761,909 | \$ 1,753,827 | \$ 468,971 | \$ (2,099,159) |
| Component units: | | | | | |
| Housing Authority | \$ 52,741 | \$ 419 | \$ 54,601 | \$ - | \$ 2,279 |
| Facility Finance Authority | 380 | 448 | 92 | - | 160 |
| State Compensation Insurance (New Fund) | 231,722 | 204,064 | - | - | (27,658) |
| State Compensation Insurance (Old Fund) | 9,590 | - | - | - | (9,590) |
| Montana Surplus Lines | 593 | 644 | - | - | 51 |
| Montana State University | 461,434 | 179,095 | 141,647 | 26,346 | (114,346) |
| University of Montana | 373,263 | 161,461 | 118,627 | 16,416 | (76,759) |
| Total component units | \$ 1,129,723 | \$ 546,131 | \$ 314,967 | \$ 42,762 | \$ (225,863) |

The notes to the financial statements are an integral part of this statement.

| | PRIMARY GOVERNMENT | | | COMPONENT UNITS |
|--|----------------------------|-----------------------------|----------------|--------------------|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | |
| Changes in net assets: | | | | |
| Net (expense) revenue | \$ (2,029,126) | \$ (70,033) | \$ (2,099,159) | \$ (225,863) |
| General revenues: | | | | |
| Taxes: | | | | |
| Property | 228,368 | - | 228,368 | - |
| Fuel | 191,061 | - | 191,061 | - |
| Natural resource | 307,032 | - | 307,032 | - |
| Individual income | 806,908 | - | 806,908 | - |
| Corporate income | 168,053 | - | 168,053 | - |
| Other | 315,810 | 24,823 | 340,633 | - |
| Unrestricted grants and contributions | 167 | - | 167 | 603 |
| Settlements | 155,127 | - | 155,127 | - |
| Unrestricted investment earnings | 42,556 | 142 | 42,698 | (12,735) |
| Payment from State of Montana | - | - | - | 189,570 |
| Gain (loss) on sale of capital assets | 6,141 | - | 6,141 | (81) |
| Miscellaneous | 116,865 | 2,487 | 119,352 | 3 |
| Contributions to term and permanent endowments | - | - | - | 8,578 |
| Transfers | 42,863 | (42,863) | - | - |
| Total general revenues, contributions, and transfers | 2,380,951 | (15,411) | 2,365,540 | 185,938 |
| Change in net assets | 351,825 | (85,444) | 266,381 | (39,925) |
| Total net assets - July 1 - as previously reported | 6,475,386 | 357,003 | 6,832,389 | 1,185,114 |
| Prior period adjustments (Note 2) | (381,252) | 3,469 | (377,783) | (5,428) |
| Total net assets - July 1 - as restated | 6,094,134 | 360,472 | 6,454,606 | 1,179,686 |
| Total net assets - June 30 | \$ 6,445,959 | \$ 275,028 | \$ 6,720,987 | \$ 1,139,761 |

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2009

(amounts expressed in thousands)

| | SPECIAL REVENUE | | | PERMANENT | | | |
|---|-----------------|--------------|------------|------------------|------------|------------|--------------|
| | GENERAL | STATE | FEDERAL | COAL | LAND | NONMAJOR | TOTAL |
| | | | | SEVERANCE TAX | GRANT | | |
| ASSETS | | | | | | | |
| Cash/cash equivalents (Note 3) | \$ 451,702 | \$ 676,530 | \$ 41,830 | \$ 32,631 | \$ 7,175 | \$ 141,755 | \$ 1,351,623 |
| Receivables (net) (Note 4) | 195,470 | 110,527 | 13,164 | 9,483 | 45,901 | 6,796 | 381,341 |
| Interfund loans receivable (Note 12) | 30,165 | 68,959 | - | - | - | 925 | 100,049 |
| Due from other governments | 10,424 | 1,942 | 199,530 | - | - | 303 | 212,199 |
| Due from other funds (Note 12) | 46,644 | 12,391 | 2,321 | - | - | 2,163 | 63,519 |
| Due from component units | 842 | 817 | 59 | 84 | - | - | 1,802 |
| Inventories | 4,157 | 21,009 | - | - | - | - | 25,166 |
| Equity in pooled investments (Note 3) | - | 352,969 | - | 553,826 | 439,842 | 267,104 | 1,613,741 |
| Long-term loans/notes receivable | 107 | 258,163 | 396 | - | - | 28,925 | 287,591 |
| Advances to other funds (Note 12) | 1,980 | 19,524 | - | 396 | - | 3,237 | 25,137 |
| Advances to component units | - | - | - | 8,556 | - | - | 8,556 |
| Investments (Note 3) | 18,065 | 121,641 | 2,812 | 205,959 | 476 | 15,748 | 364,701 |
| Securities lending collateral (Note 3) | - | 114,168 | 1,440 | 102,907 | 80,257 | 55,266 | 354,038 |
| Other assets | 2,835 | 6,446 | 279 | - | - | - | 9,560 |
| Total assets | \$ 762,391 | \$ 1,765,086 | \$ 261,831 | \$ 913,842 | \$ 573,651 | \$ 522,222 | \$ 4,799,023 |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable (Note 4) | 194,959 | 101,526 | 125,669 | - | 4,833 | 10,059 | 437,046 |
| Interfund loans payable (Note 12) | - | 4,995 | 91,950 | - | - | - | 96,945 |
| Due to other governments | 43 | 40,397 | 2,116 | - | - | - | 42,556 |
| Due to other funds (Note 12) | 9,404 | 31,392 | 5,054 | 5,164 | - | 2,424 | 53,438 |
| Due to component units | 24,400 | 1,999 | 1,740 | - | - | 14 | 28,153 |
| Advances from other funds (Note 12) | - | 19,598 | 1,892 | - | - | 21,607 | 43,097 |
| Deferred revenue | 89,777 | 39,704 | 11,856 | - | 40,955 | 681 | 182,973 |
| Amounts held in custody for others | 25,291 | 11,092 | 206 | - | 72 | - | 36,661 |
| Securities lending liability (Note 3) | - | 114,168 | 1,440 | 102,907 | 80,257 | 55,266 | 354,038 |
| Other liabilities | - | 631 | - | - | - | - | 631 |
| Total liabilities | 343,874 | 365,502 | 241,923 | 108,071 | 126,117 | 90,051 | 1,275,538 |
| Fund balances: | | | | | | | |
| Reserved for: | | | | | | | |
| Encumbrances | 18,931 | 21,653 | 259 | - | - | 771 | 41,614 |
| Inventories | 4,157 | 21,009 | - | - | - | - | 25,166 |
| Long-term loans/notes receivable | 107 | 258,163 | 396 | - | - | 28,925 | 287,591 |
| Advances to other funds/component units | 1,980 | 19,524 | - | 8,952 | - | 3,237 | 33,693 |
| Special revenue (Note 14) | - | 1,102,320 | 26,949 | - | - | - | 1,129,269 |
| Debt service | - | - | - | - | - | 3,233 | 3,233 |
| Trust principal (Note 14) | - | 100 | - | 796,819 | 447,534 | 276,305 | 1,520,758 |
| Escheated property | 816 | - | - | - | - | - | 816 |
| Unreserved, designated, reported in nonmajor (Note 1): | | | | | | | |
| Debt service funds | - | - | - | - | - | 8,210 | 8,210 |
| Unreserved, undesignated | 392,526 | (23,185) | (7,696) | - | - | - | 361,645 |
| Unreserved, undesignated, reported in nonmajor: | | | | | | | |
| Debt service funds | - | - | - | - | - | (12,715) | (12,715) |
| Capital projects funds | - | - | - | - | - | 124,205 | 124,205 |
| Total fund balances | 418,517 | 1,399,584 | 19,908 | 805,771 | 447,534 | 432,171 | 3,523,485 |
| Total liabilities and fund balances | \$ 762,391 | \$ 1,765,086 | \$ 261,831 | \$ 913,842 | \$ 573,651 | \$ 522,222 | \$ 4,799,023 |

The notes to the financial statements are an integral part of this statement.

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2009

(amounts expressed in thousands)

| | | |
|--|----|-----------|
| Total fund balances for governmental funds | \$ | 3,523,485 |
|--|----|-----------|

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. (Including ISF Capital Assets)

| | | |
|-------------------------------|--------------------|-----------|
| Land | 461,503 | |
| Land improvements | 28,245 | |
| Buildings/improvements | 440,433 | |
| Equipment | 314,868 | |
| Infrastructure | 3,829,186 | |
| Other capital assets | 204,875 | |
| Construction in progress | 224,227 | |
| Intangible assets | 31,246 | |
| Less accumulated depreciation | <u>(1,746,748)</u> | |
| Total capital assets | | 3,787,835 |

| | |
|---|---------|
| Certain revenues are earned, but not available and therefore deferred in the funds. | 144,271 |
|---|---------|

| | |
|---|--------|
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets. Excluding ISF Capital Assets and LT Liabilities reported in specific areas. | 87,928 |
|---|--------|

| | |
|--|-------|
| Deferred issue costs are reported as current expenditures in the funds. These costs are amortized over the life of the bonds and included in governmental activities in the statement of net assets. | 3,513 |
|--|-------|

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

| | | |
|------------------------------------|----------------|--------------------|
| Accrued interest | (5,219) | |
| Lease/installment purchase payable | (2,680) | |
| Bonds/notes payable (net) | (388,267) | |
| Compensated absences payable | (95,299) | |
| OPEB implicit rate subsidy | (82,808) | |
| Early retirement benefits payable | (24) | |
| Arbitrage rebate tax payable | (230) | |
| Estimated Insurance Claims | (28,606) | |
| Estimated Pollution Liability | (495,495) | |
| Other liabilities | <u>(2,445)</u> | |
| Total long-term liabilities | | <u>(1,101,073)</u> |

| | | |
|---------------------------------------|----|------------------|
| Net assets of governmental activities | \$ | <u>6,445,959</u> |
|---------------------------------------|----|------------------|

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009
 (amounts expressed in thousands)

| | SPECIAL REVENUE | | | PERMANENT | | | |
|---|-----------------|--------------|-----------|--------------------------|---------------|------------|--------------|
| | GENERAL | STATE | FEDERAL | COAL SEVERANCE TAX | LAND GRANT | NONMAJOR | TOTAL |
| REVENUES | | | | | | | |
| Licenses/permits | \$ 120,494 | \$ 161,141 | \$ - | \$ - | \$ 1,375 | \$ 414 | \$ 283,424 |
| Taxes: | | | | | | | |
| Natural resource | 140,754 | 133,800 | - | 24,822 | - | 7,644 | 307,020 |
| Individual income | 797,022 | - | - | - | - | - | 797,022 |
| Corporate income | 166,403 | 3 | - | - | - | - | 166,406 |
| Property | 216,314 | 12,053 | - | - | - | - | 228,367 |
| Fuel | - | 191,061 | - | - | - | - | 191,061 |
| Other (Note 1) | 211,088 | 102,387 | - | - | - | 1,977 | 315,452 |
| Charges for services/fines/forfeits/settlements | 39,430 | 165,811 | 34,157 | - | - | 15,670 | 255,068 |
| Investment earnings | 15,885 | 26,435 | 421 | 32,645 | 17,539 | 21,930 | 114,855 |
| Securities lending income | 1,750 | 1,998 | 45 | 1,578 | 1,258 | 902 | 7,531 |
| Sale of documents/merchandise/property | 308 | 3,814 | 3 | - | 7,938 | 3,208 | 15,271 |
| Rentals/leases/royalties | 21 | 26,562 | - | - | 46,383 | 114 | 73,080 |
| Contributions/premiums | - | 20,576 | - | - | - | - | 20,576 |
| Grants/contracts/donations | 1,795 | 27,021 | 108 | - | (4) | (1) | 28,919 |
| Federal | 31,610 | 11,859 | 1,799,581 | - | - | - | 1,843,050 |
| Federal indirect cost recoveries | 140 | 55,530 | 54,656 | - | - | - | 110,326 |
| Other revenues | 1,478 | 115,239 | 55 | - | - | 11 | 116,783 |
| Total revenues | 1,744,492 | 1,055,290 | 1,889,026 | 59,045 | 74,489 | 51,869 | 4,874,211 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | 227,222 | 169,735 | 31,695 | - | - | 71 | 428,723 |
| Public safety/corrections | 220,924 | 65,344 | 47,737 | - | - | 1,872 | 335,877 |
| Transportation | 825 | 231,942 | 79,071 | - | - | - | 311,838 |
| Health/social services | 336,983 | 118,194 | 1,069,565 | - | - | 1,547 | 1,526,289 |
| Education/cultural | 859,429 | 87,991 | 184,461 | - | 3,587 | 588 | 1,136,056 |
| Resource/recreation/environment | 30,861 | 155,800 | 52,161 | - | - | 12 | 238,834 |
| Economic development/assistance | 34,538 | 85,745 | 47,628 | - | - | 867 | 168,778 |
| Debt service: | | | | | | | |
| Principal retirement | 293 | 362 | 174 | - | - | 33,370 | 34,199 |
| Interest/fiscal charges | 45 | 735 | 21 | - | - | 18,278 | 19,079 |
| Capital outlay | 5,766 | 56,863 | 320,573 | - | 6,401 | 74,775 | 464,378 |
| Securities lending | 630 | 754 | 15 | 643 | 514 | 361 | 2,917 |
| Total expenditures | 1,717,516 | 973,465 | 1,833,101 | 643 | 10,502 | 131,741 | 4,666,968 |
| Excess of revenue over (under) expenditures | 26,976 | 81,825 | 55,925 | 58,402 | 63,987 | (79,872) | 207,243 |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Inception of lease/installment contract | 195 | 9 | 411 | - | - | - | 615 |
| Insurance proceeds | - | 876 | 10 | - | - | - | 886 |
| General capital asset sale proceeds | 65 | 385 | 40 | - | 5,470 | - | 5,960 |
| Transfers in (Note 12) | 73,096 | 163,126 | 2,127 | 889 | 1 | 152,420 | 391,659 |
| Transfers out (Note 12) | (143,502) | (22,260) | (41,061) | (46,271) | (71,734) | (25,304) | (350,132) |
| Total other financing sources (uses) | (70,146) | 142,136 | (38,473) | (45,382) | (66,263) | 127,116 | 48,988 |
| Net change in fund balances | (43,170) | 223,961 | 17,452 | 13,020 | (2,276) | 47,244 | 256,231 |
| Fund balances - July 1 - as previously reported | 461,801 | 1,177,997 | 1,707 | 792,751 | 450,220 | 384,937 | 3,269,413 |
| Prior period adjustments (Note 2) | (699) | (1,941) | 749 | - | (410) | (10) | (2,311) |
| Fund balances - July 1 - as restated | 461,102 | 1,176,056 | 2,456 | 792,751 | 449,810 | 384,927 | 3,267,102 |
| Increase (decrease) in inventories | 585 | (433) | - | - | - | - | 152 |
| Fund balances - June 30 | \$ 418,517 | \$ 1,399,584 | \$ 19,908 | \$ 805,771 | \$ 447,534 | \$ 432,171 | \$ 3,523,485 |

The notes to the financial statements are an integral part of this statement.

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**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(amounts expressed in thousands)

Net change in fund balances - total governmental funds \$ 256,231

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (Note 5)

| | | |
|--|-----------|---------|
| Capital outlay | 464,378 | |
| Depreciation expense | (149,017) | 315,361 |
| Excess of capital outlay over depreciation expense | | |

In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold. (5,961)

Donations of capital assets or transfers of capital assets to other funds affects net assets in the statement of activities, but these transactions do not appear in the governmental funds because they are not financial resources. 49,493

Inventories of governmental funds are recorded as expenditures when purchased. However, in the statement of activities, inventories are expensed when consumed. 152

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (61,175)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. 3,867

The incurrence of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of these differences is as follows:

| | | |
|---|--------|--------|
| Capital lease financing | (615) | |
| Principal retirement | 34,199 | |
| Issuance costs deferral | 707 | |
| Bond issuance costs amortization | (400) | |
| Bond discount amortization | (12) | |
| Bond premium amortization | 1,311 | |
| Total long-term debt proceeds/repayment | | 35,190 |

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds. The details of these differences is as follows:

| | | |
|---|-----------|-------------------|
| Accrued interest | (240) | |
| Compensated absences | (4,000) | |
| OPEB implicit rate subsidy | (40,384) | |
| Pollution Remediation | (196,015) | |
| Insurance Proceeds | (885) | |
| Early retirement benefits | 4 | |
| Arbitrage rebate tax | 89 | |
| Other liabilities | 98 | |
| Total additional expenditures | | <u>(241,333)</u> |
| Change in net assets of governmental activities | | <u>\$ 351,825</u> |

The notes to the financial statements are an integral part of this statement.

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2009

(amounts expressed in thousands)

| | BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS | | | | GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS |
|--|--|----------------------------------|-----------|------------|---|
| | UNEMPLOYMENT INSURANCE | ECONOMIC DEVELOPMENT BONDS | NONMAJOR | TOTAL | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash/cash equivalents (Note 3) | \$ 193,368 | \$ 9,450 | \$ 78,649 | \$ 281,467 | \$ 64,751 |
| Receivables (net) (Note 4) | 4,624 | 7,917 | 23,560 | 36,101 | 7,218 |
| Interfund loans receivable (Note 12) | - | - | 74 | 74 | 250 |
| Due from other governments | 6 | - | 670 | 676 | - |
| Due from other funds (Note 12) | - | 3,914 | 574 | 4,488 | 6,777 |
| Due from component units | 131 | 1,903 | 3,018 | 5,052 | 357 |
| Inventories | - | - | 3,265 | 3,265 | 2,337 |
| Short-term investments (Note 3) | - | 1,735 | - | 1,735 | - |
| Securities lending collateral (Note 3) | - | 8 | 4,778 | 4,786 | 13,665 |
| Other current assets | - | - | 763 | 763 | 1,023 |
| Total current assets | 198,129 | 24,927 | 115,351 | 338,407 | 96,378 |
| Noncurrent assets: | | | | | |
| Advances to other funds (Note 12) | - | 24,103 | 75 | 24,178 | - |
| Advances to component units | - | 7,548 | - | 7,548 | - |
| Long-term investments (Note 3) | - | 3,075 | 6,046 | 9,121 | 33,290 |
| Long-term notes/loans receivable | - | 35,022 | 1,123 | 36,145 | - |
| Deferred charges | - | 1,315 | - | 1,315 | - |
| Other long-term assets | - | - | 2,056 | 2,056 | - |
| Capital assets (Note 5): | | | | | |
| Land | - | - | 800 | 800 | 236 |
| Land improvements | - | - | 3,830 | 3,830 | 95 |
| Buildings/improvements | - | - | 7,344 | 7,344 | 4,704 |
| Equipment | - | 6 | 6,031 | 6,037 | 214,809 |
| Infrastructure | - | - | 884 | 884 | - |
| Construction in progress | - | - | 167 | 167 | 3,268 |
| Intangible assets | - | - | 128 | 128 | 1,190 |
| Other Depreciable Assets | - | - | 3,191 | 3,191 | - |
| Less accumulated depreciation | - | (4) | (9,838) | (9,842) | (132,109) |
| Total capital assets | - | 2 | 12,537 | 12,539 | 92,193 |
| Total noncurrent assets | - | 71,065 | 21,837 | 92,902 | 125,483 |
| Total assets | 198,129 | 95,992 | 137,188 | 431,309 | 221,861 |

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2009

(amounts expressed in thousands)

| | BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS | | | | GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS |
|---|--|----------------------------------|-----------|------------|---|
| | UNEMPLOYMENT INSURANCE | ECONOMIC DEVELOPMENT BONDS | NONMAJOR | TOTAL | |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable (Note 4) | \$ 889 | \$ 701 | \$ 11,327 | \$ 12,917 | \$ 15,471 |
| Lottery prizes payable | - | - | 1,524 | 1,524 | - |
| Interfund loans payable (Note 12) | 1,336 | - | 150 | 1,486 | 1,942 |
| Due to other governments | - | - | 53 | 53 | - |
| Due to other funds (Note 12) | - | 2 | 18,098 | 18,100 | 3,247 |
| Due to component units | - | - | 138 | 138 | 17 |
| Deferred revenue | - | - | 5,233 | 5,233 | 1,180 |
| Lease/installment purchase payable (Note 10) | - | - | - | - | 416 |
| Short-term debt (Note 11) | - | 88,620 | - | 88,620 | - |
| Bonds/notes payable - net (Note 11) | - | 336 | - | 336 | - |
| Amounts held in custody for others | - | - | 20 | 20 | - |
| Securities lending liability (Note 3) | - | 8 | 4,778 | 4,786 | 13,665 |
| Estimated insurance claims (Note 8) | - | - | 9,099 | 9,099 | 17,527 |
| Compensated absences payable (Note 11) | - | 12 | 747 | 759 | 3,139 |
| Arbitrage rebate tax payable (Note 11) | - | 19 | - | 19 | - |
| Total current liabilities | 2,225 | 89,698 | 51,167 | 143,090 | 56,604 |
| Noncurrent liabilities: | | | | | |
| Lottery prizes payable | - | - | 1,156 | 1,156 | - |
| Advances from other funds (Note 12) | - | - | - | - | 6,218 |
| Lease/installment purchase payable (Note 10) | - | - | - | - | 891 |
| Bonds/notes payable - net (Note 11) | - | 844 | - | 844 | - |
| Estimated insurance claims (Note 8) | - | - | 8,956 | 8,956 | 11,080 |
| Compensated absences payable (Note 11) | - | 15 | 740 | 755 | 3,035 |
| OPEB implicit rate subsidy (Note 7) | - | 29 | 1,450 | 1,479 | 4,567 |
| Total noncurrent liabilities | - | 888 | 12,302 | 13,190 | 25,791 |
| Total liabilities | 2,225 | 90,586 | 63,469 | 156,280 | 82,395 |
| NET ASSETS | | | | | |
| Invested in capital assets, net of related debt | - | 2 | 12,537 | 12,539 | 92,192 |
| Restricted for: | | | | | |
| Unemployment Compensation | 195,904 | - | - | 195,904 | - |
| Other Purposes | - | 1,936 | 57,653 | 59,589 | - |
| Unrestricted | - | 3,468 | 3,529 | 6,997 | 47,274 |
| Total net assets | \$ 195,904 | \$ 5,406 | \$ 73,719 | \$ 275,029 | \$ 139,466 |

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(amounts expressed in thousands)

| | BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS | | | | GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS |
|---|--|----------------------------------|------------|------------|---|
| | UNEMPLOYMENT INSURANCE | ECONOMIC DEVELOPMENT BONDS | NONMAJOR | TOTAL | |
| Operating revenues: | | | | | |
| Charges for services | \$ - | \$ 25 | \$ 125,237 | \$ 125,262 | \$ 130,932 |
| Investment earnings | 11,897 | 404 | 1,082 | 13,383 | 2,473 |
| Securities lending income | - | 1 | 145 | 146 | 291 |
| Financing income | - | 3,132 | - | 3,132 | (131) |
| Contributions/premiums | 75,596 | - | 77,736 | 153,332 | 113,124 |
| Grants/contracts/donations | 66,261 | - | 35,288 | 101,549 | 3,340 |
| Other operating revenues | 1,805 | - | 968 | 2,773 | 3,662 |
| Total operating revenues | 155,559 | 3,562 | 240,456 | 399,577 | 253,691 |
| Operating expenses: | | | | | |
| Personal services | - | 196 | 13,345 | 13,541 | 47,118 |
| Contractual services | - | 19 | 14,646 | 14,665 | 25,390 |
| Supplies/materials | - | 3 | 63,281 | 63,284 | 24,144 |
| Benefits/claims | 235,628 | 14 | 101,372 | 337,014 | 107,042 |
| Depreciation | - | 1 | 694 | 695 | 12,527 |
| Amortization | - | - | 150 | 150 | 501 |
| Utilities/rent | - | 44 | 1,047 | 1,091 | 15,112 |
| Communications | - | 13 | 1,401 | 1,414 | 11,666 |
| Travel | - | 3 | 300 | 303 | 425 |
| Repair/maintenance | - | - | 911 | 911 | 8,632 |
| Grants | - | - | 5 | 5 | - |
| Lottery prize payments | - | - | 23,080 | 23,080 | - |
| Interest expense | - | 3,213 | - | 3,213 | 298 |
| Securities lending expense | - | - | 42 | 42 | - |
| Arbitrage rebate tax | - | (20) | - | (20) | - |
| Dividend expense | - | - | 2,913 | 2,913 | - |
| Other operating expenses | 321 | 37 | 2,173 | 2,531 | 3,253 |
| Total operating expenses | 235,949 | 3,523 | 225,360 | 464,832 | 256,108 |
| Operating income (loss) | (80,390) | 39 | 15,096 | (65,255) | (2,417) |
| Nonoperating revenues (expenses): | | | | | |
| Tax revenues | - | - | 24,821 | 24,821 | - |
| Insurance proceeds | - | - | - | - | 143 |
| Gain (loss) on sale of capital assets | - | - | (48) | (48) | (32) |
| Federal indirect cost recoveries | - | - | (8) | (8) | 5,385 |
| Increase (decrease) value of livestock | - | - | (3,451) | (3,451) | - |
| Total nonoperating revenues (expenses) | - | - | 21,314 | 21,314 | 5,496 |
| Income (loss) before contributions and transfers | (80,390) | 39 | 36,410 | (43,941) | 3,079 |
| Capital contributions | - | - | 1,359 | 1,359 | 702 |
| Transfers in (Note 12) | - | 725 | 64 | 789 | 2,249 |
| Transfers out (Note 12) | (803) | - | (42,848) | (43,651) | (2,163) |
| Change in net assets | (81,193) | 764 | (5,015) | (85,444) | 3,867 |
| Total net assets - July 1 - as previously reported | 277,097 | 4,642 | 75,264 | 357,003 | 135,533 |
| Prior period adjustments (Note 2) | - | - | 3,470 | 3,470 | 66 |
| Total net assets - July 1 - as restated | 277,097 | 4,642 | 78,734 | 360,473 | 135,599 |
| Total net assets - June 30 | \$ 195,904 | \$ 5,406 | \$ 73,719 | \$ 275,029 | \$ 139,466 |

The notes to the financial statements are an integral part of this statement.

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

(amounts expressed in thousands)

| | BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS | | | | GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS |
|---|--|----------------------------------|------------|------------|---|
| | UNEMPLOYMENT INSURANCE | ECONOMIC DEVELOPMENT BONDS | NONMAJOR | TOTAL | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from sales and services | \$ 72,707 | \$ 26 | \$ 201,183 | \$ 273,916 | \$ 247,558 |
| Payments to suppliers for goods and services | (257) | (118) | (113,921) | (114,296) | (89,505) |
| Payments to employees | - | (223) | (13,387) | (13,610) | (46,564) |
| Grant receipts | 66,304 | - | 35,326 | 101,630 | 8,533 |
| Cash payments for claims | (236,510) | - | (66,305) | (302,815) | (101,686) |
| Cash payments for prizes | - | - | (23,526) | (23,526) | - |
| Other operating revenues | 3,608 | - | 883 | 4,491 | (1,431) |
| Other operating payments | - | - | (3,191) | (3,191) | - |
| Net cash provided by (used for) operating activities | (94,148) | (315) | 17,062 | (77,401) | 16,905 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Collection of taxes | - | - | 24,821 | 24,821 | - |
| Transfers to other funds | (803) | - | (37,551) | (38,354) | (2,160) |
| Transfers from other funds | - | 725 | 78 | 803 | 2,377 |
| Proceeds from interfund loans/advances | 1,336 | - | (64) | 1,272 | 2,902 |
| Payments of interfund loans/advances | - | - | (92) | (92) | (2,677) |
| Payment of principal and interest on bonds and notes | - | (13,664) | (94) | (13,758) | (287) |
| Contributed capital transfers from other funds | - | - | - | - | 731 |
| Net cash provided by (used for) noncapital financing activities | 533 | (12,939) | (12,902) | (25,308) | 886 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Proceeds from insurance | - | - | - | - | 143 |
| Acquisition of capital assets | - | - | (3,559) | (3,559) | (12,088) |
| Proceeds from sale of capital assets | - | - | 4 | 4 | 368 |
| Net cash used for capital and related financing activities | - | - | (3,555) | (3,555) | (11,577) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchase of investments | - | (817) | (610) | (1,427) | (8,267) |
| Proceeds from sales or maturities of investments | - | 9,835 | 1,156 | 10,991 | - |
| Proceeds from securities lending transactions | - | 1 | 126 | 127 | 300 |
| Interest and dividends on investments | 11,897 | 471 | 1,100 | 13,468 | 2,511 |
| Payment of securities lending costs | - | - | (35) | (35) | (131) |
| Collections of principal and interest on loans | - | 26,934 | - | 26,934 | - |
| Cash payment for loans | - | (22,950) | - | (22,950) | - |
| Net cash provided by (used for) investing activities | 11,897 | 13,474 | 1,737 | 27,108 | (5,587) |
| Net increase (decrease) in cash and cash equivalents | (81,718) | 220 | 2,342 | (79,156) | 627 |
| Cash and cash equivalents, July 1 | 275,086 | 9,230 | 76,309 | 360,625 | 64,124 |
| Cash and cash equivalents, June 30 | \$ 193,368 | \$ 9,450 | \$ 78,651 | \$ 281,469 | \$ 64,751 |

The notes to the financial statements are an integral part of this statement.

| | BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS | | | | GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS | |
|---|--|----------------------------------|-----------|-------------|---|---------|
| | UNEMPLOYMENT INSURANCE | ECONOMIC DEVELOPMENT BONDS | NONMAJOR | TOTAL | | |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | | |
| Operating income (loss) | \$ (80,390) | \$ 39 | \$ 15,095 | \$ (65,256) | \$ | (2,417) |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | | | | | | |
| Depreciation | - | 1 | 694 | 695 | | 12,527 |
| Amortization | - | - | 150 | 150 | | 501 |
| Interest expense | - | 3,213 | - | 3,213 | | 292 |
| Securities lending expense | - | - | 42 | 42 | | 114 |
| Investment Earnings | (11,897) | (404) | (1,099) | (13,400) | | (2,473) |
| Securities lending income | - | (1) | (123) | (124) | | (291) |
| Financing income | - | (3,132) | - | (3,132) | | - |
| Federal indirect cost recoveries | - | - | 8 | 8 | | 5,254 |
| Arbitrage rebate tax | - | (20) | - | (20) | | - |
| Change in assets and liabilities: | | | | | | |
| Decr (incr) in accounts receivable | (1,229) | - | (21) | (1,250) | | (2,158) |
| Decr (incr) in due from other funds | (4) | - | (145) | (149) | | 550 |
| Decr (incr) in due from component units | 45 | - | (532) | (487) | | 9 |
| Decr (incr) in due from other governments | - | - | 27 | 27 | | (1) |
| Decr (incr) in inventories | - | - | 4,444 | 4,444 | | 76 |
| Decr (incr) in other assets | - | 2 | (354) | (352) | | (316) |
| Incr (decr) in accounts payable | (678) | (2) | 1,667 | 987 | | 44 |
| Incr (decr) in lottery prizes payable | - | - | (445) | (445) | | - |
| Incr (decr) in due to other funds | - | (1) | (18) | (19) | | 459 |
| Incr (decr) in due to component units | - | - | (13) | (13) | | (32) |
| Incr (decr) in due to other governments | - | - | 43 | 43 | | (1) |
| Incr (decr) in deferred revenue | - | - | (1,211) | (1,211) | | 106 |
| Incr (decr) in amounts held in custody for others | 5 | - | (62) | (57) | | - |
| Incr (decr) in compensated absences payable | - | (24) | (3) | (27) | | 275 |
| Incr (decr) in OPEB implicit rate subsidy | - | 14 | 754 | 768 | | 2,379 |
| Incr (decr) in estimated claims | - | - | (1,836) | (1,836) | | 2,008 |
| Net cash provided by (used for) operating activities | \$ (94,148) | \$ (315) | \$ 17,062 | \$ (77,401) | \$ | 16,905 |
| Schedule of noncash transactions: | | | | | | |
| Capital asset acquisitions from contributed capital | \$ - | \$ - | \$ - | \$ - | \$ | - |
| Capital contributions from other funds | \$ - | \$ - | \$ - | \$ - | \$ | 702 |
| Amortization of bond issuance costs | \$ - | \$ - | \$ - | \$ - | \$ | - |
| Incr (decr) in fair value of investments | \$ - | \$ 22 | \$ - | \$ 22 | \$ | - |
| Total noncash transactions | \$ - | \$ 22 | \$ - | \$ 22 | \$ | 702 |

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2009

(amounts expressed in thousands)

| | PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS | PRIVATE- PURPOSE TRUST FUNDS | INVESTMENT TRUST | AGENCY FUNDS |
|--|--|------------------------------------|---------------------|-----------------|
| ASSETS | | | | |
| Cash/cash equivalents (Note 3) | \$ 69,569 | \$ 144,972 | \$ 389,936 | \$ 11,211 |
| Receivables (net): | | | | |
| Accounts receivable | 16,006 | - | - | 402 |
| Interest | 12,574 | 11 | 361 | 1 |
| Due from primary government | 23,446 | - | - | 112 |
| Due from other PERB plans | 484 | - | - | - |
| Long-term loans/notes receivable | 51 | - | - | - |
| Total receivables | 52,561 | 11 | 361 | 515 |
| Investments at fair value: | | | | |
| Equity in pooled investments (Note 3) | 5,793,032 | - | - | - |
| Other investments (Note 3) | 390,370 | 106,007 | 35,385 | 29 |
| Total investments | 6,183,402 | 106,007 | 35,385 | 29 |
| Securities lending collateral (Note 3) | 549,016 | 1,358 | 27,908 | 23 |
| Capital Assets: | | | | |
| Land | 35 | - | - | - |
| Buildings/improvements | 158 | - | - | - |
| Equipment | 69 | - | - | - |
| Accumulated depreciation | (205) | - | - | - |
| Intangible assets | 580 | - | - | - |
| Total capital assets | 637 | - | - | - |
| Other assets | - | 19,329 | - | 13,299 |
| Total assets | 6,855,185 | 271,677 | 453,590 | 25,077 |
| LIABILITIES | | | | |
| Accounts payable | 1,171 | 38 | 361 | 1,120 |
| Due to primary government | 87 | - | - | - |
| Due to other PERB plans | 484 | - | - | - |
| Deferred revenue | 167 | - | - | - |
| Amounts held in custody for others | 8 | - | - | 23,934 |
| Securities lending liability (Note 3) | 549,016 | 1,358 | 27,908 | 23 |
| Compensated absences payable | 486 | - | - | - |
| OPEB implicit rate subsidy | 285 | - | - | - |
| Total liabilities | 551,704 | 1,396 | 28,269 | 25,077 |
| NET ASSETS | | | | |
| Held in trust for pension benefits and other purposes | \$ 6,303,481 | \$ 270,281 | \$ 425,321 | \$ - |

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(amounts expressed in thousands)

| | PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS | PRIVATE- PURPOSE TRUST FUNDS | INVESTMENT TRUST |
|--|---|---|-----------------------------|
| ADDITIONS | | | |
| Contributions/premiums: | | | |
| Employer | \$ 171,620 | \$ - | \$ - |
| Employee | 176,017 | - | - |
| Participant contributions | | 42,093 | - |
| Other contributions | 36,761 | - | 837,356 |
| Net investment earnings: | | | |
| Investment earnings | (1,585,299) | (21,581) | 6,493 |
| Administrative investment expense | (35,701) | - | - |
| Securities lending income | 11,219 | 12 | 846 |
| Securities lending expense | (4,925) | (5) | (284) |
| Charges for services | 536 | - | - |
| Other additions | 282 | 18,940 | - |
| Total additions | (1,229,490) | 39,459 | 844,411 |
| DEDUCTIONS | | | |
| Benefits | 469,165 | - | - |
| Refunds | 21,186 | - | - |
| Distributions | - | 30,903 | 919,056 |
| Administrative expenses: | | | |
| Personal services | 2,994 | - | - |
| Contractual services | 1,635 | 1,962 | - |
| Supplies/materials | 121 | - | - |
| Depreciation | 8 | - | - |
| Amortization | 212 | - | - |
| Utilities/rent | 288 | - | - |
| Communications | 213 | - | - |
| Travel | 69 | - | - |
| Repair/maintenance | 36 | - | - |
| Grants | - | 6 | - |
| Other operating expenses | 1,610 | - | - |
| Local assistance | 17 | - | - |
| Transfers to ORP | 174 | - | - |
| Transfers to PERS-DCRP | 1,043 | - | - |
| Transfer Out | 33 | - | - |
| Total deductions | 498,804 | 32,871 | 919,056 |
| Change in net assets | (1,728,294) | 6,588 | (74,645) |
| Net assets - July 1 - as previously reported | 8,030,988 | 261,518 | 499,966 |
| Prior period adjustments (Note 2) | 787 | 2,175 | - |
| Net assets - July 1 - as restated | 8,031,775 | 263,693 | 499,966 |
| Net assets - June 30 | \$ 6,303,481 | \$ 270,281 | \$ 425,321 |

The notes to the financial statements are an integral part of this statement.

**COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS**

JUNE 30, 2009

(amounts expressed in thousands)

| | HOUSING AUTHORITY | FACILITY FINANCE AUTHORITY | MONTANA STATE FUND (NEW FUND) | MONTANA STATE FUND (OLD FUND) |
|---|----------------------|----------------------------------|--|--|
| ASSETS | | | | |
| Cash/cash equivalents (Note 3) | \$ 15,253 | \$ 1,922 | \$ 31,389 | \$ 13,268 |
| Receivables (net) | 21,702 | 279 | 19,674 | 134 |
| Due from primary government | 9 | - | 5 | - |
| Due from other governments | 7 | - | - | - |
| Due from component units | - | - | 549 | 27 |
| Inventories | - | - | - | - |
| Long-term loans/notes receivable | 815,685 | 1,167 | - | - |
| Equity in pooled investments (Note 3) | - | - | - | - |
| Investments (Note 3) | 172,686 | 170 | 993,222 | 7,374 |
| Securities lending collateral (Note 3) | 40 | 134 | 175,758 | 1,569 |
| Deferred charges | 7,850 | - | - | - |
| Other assets | 269 | - | 50,287 | - |
| Capital assets (net) (Note 5) | 19 | - | 19,890 | - |
| Total assets | 1,033,520 | 3,672 | 1,290,774 | 22,372 |
| LIABILITIES | | | | |
| Accounts payable | 4,708 | 13 | 16,478 | 174 |
| Due to primary government | 10 | 4 | 1,321 | - |
| Due to component units | - | - | 27 | 549 |
| Due to other governments | - | - | - | - |
| Advances from primary government | - | - | - | - |
| Deferred revenue | - | - | 6,018 | - |
| Amounts held in custody for others | - | - | 55,973 | - |
| Securities lending liability (Note 3) | 40 | 134 | 175,758 | 1,569 |
| Other liabilities | - | - | - | - |
| Long-term liabilities (Note 11): | | | | |
| Due within one year | 14,213 | 12 | 139,115 | 10,975 |
| Due in more than one year | 859,087 | 25 | 676,709 | 54,600 |
| OPEB implicit rate subsidy (Note 7) | 87 | 6 | 1,753 | - |
| Total liabilities | 878,145 | 194 | 1,073,152 | 67,867 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 19 | - | 19,890 | - |
| Restricted for: | | | | |
| Debt service/construction | - | - | - | - |
| Funds held as permanent investments: | | | | |
| Nonexpendable | - | - | - | - |
| Housing authority | 155,356 | - | - | - |
| Other purposes | - | - | - | - |
| Unrestricted | - | 3,478 | 197,732 | (45,495) |
| Total net assets | \$ 155,375 | \$ 3,478 | \$ 217,622 | \$ (45,495) |

The notes to the financial statements are an integral part of this statement.

| MONTANA SURPLUS LINES | | MONTANA STATE UNIVERSITY | | UNIVERSITY OF MONTANA | | TOTAL |
|-----------------------------|-----|--------------------------------|---------|-----------------------------|---------|--------------|
| \$ | 465 | \$ | 123,097 | \$ | 56,061 | \$ 241,455 |
| | 147 | | 17,534 | | 20,185 | 79,655 |
| | - | | 1,822 | | 3,026 | 4,862 |
| | - | | 19,361 | | 8,837 | 28,205 |
| | - | | 29 | | 602 | 1,207 |
| | - | | 3,129 | | 1,924 | 5,053 |
| | - | | 22,595 | | 10,696 | 850,143 |
| | - | | 14,333 | | 14,316 | 28,649 |
| | 120 | | 126,119 | | 168,964 | 1,468,655 |
| | - | | 7,406 | | 3,633 | 188,540 |
| | - | | - | | - | 7,850 |
| | - | | 4,289 | | 5,828 | 60,673 |
| | - | | 351,054 | | 331,026 | 701,989 |
| - | 732 | - | 690,768 | - | 625,098 | 3,666,936 |
| | | | | | | |
| | 283 | | 32,659 | | 24,286 | 78,601 |
| | - | | 4,946 | | 841 | 7,122 |
| | - | | 602 | | 29 | 1,207 |
| | - | | - | | 145 | 145 |
| | - | | 11,082 | | 5,023 | 16,105 |
| | 9 | | 9,700 | | 12,779 | 28,506 |
| | - | | 4,421 | | 6,251 | 66,645 |
| | - | | 7,406 | | 3,633 | 188,540 |
| | - | | 6,159 | | 3,189 | 9,348 |
| | - | | 20,130 | | 15,842 | 200,287 |
| | - | | 149,877 | | 155,187 | 1,895,485 |
| | - | | 18,322 | | 15,016 | 35,184 |
| | 292 | | 265,304 | | 242,221 | 2,527,175 |
| | | | | | | |
| | - | | 223,713 | | 192,230 | 435,852 |
| | - | | 12,569 | | - | 12,569 |
| | - | | 101,223 | | 122,031 | 223,254 |
| | - | | - | | - | 155,356 |
| | - | | 28,741 | | 50,726 | 79,467 |
| | 440 | | 59,218 | | 17,890 | 233,263 |
| \$ | 440 | \$ | 425,464 | \$ | 382,877 | \$ 1,139,761 |

**COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(amounts expressed in thousands)

| | HOUSING AUTHORITY | FACILITY FINANCE AUTHORITY | MONTANA STATE FUND (NEW FUND) | MONTANA STATE FUND (OLD FUND) |
|--|----------------------|----------------------------------|--|--|
| EXPENSES | \$ 52,741 | \$ 380 | \$ 231,722 | \$ 9,590 |
| PROGRAM REVENUES: | | | | |
| Charges for services | 419 | 448 | 204,064 | - |
| Operating grants and contributions | 54,601 | 92 | - | - |
| Capital grants and contributions | - | - | - | - |
| Total program revenues | 55,020 | 540 | 204,064 | - |
| Net (expenses) program revenues | 2,279 | 160 | (27,658) | (9,590) |
| GENERAL REVENUES: | | | | |
| Unrestricted grants and contributions | - | - | - | - |
| Unrestricted investment earnings | - | - | 20,726 | 607 |
| Payment from State of Montana | - | - | - | - |
| Gain (loss) on sale of capital assets | - | - | - | - |
| Miscellaneous | 1 | - | 2 | - |
| Contributions to term and permanent endowments | - | - | - | - |
| Total general revenues and contributions | 1 | - | 20,728 | 607 |
| Change in net assets | 2,280 | 160 | (6,930) | (8,983) |
| Total net assets - July 1 - as previously reported | 153,095 | 3,318 | 224,552 | (36,512) |
| Prior period adjustments (Note 2) | - | - | - | - |
| Total net assets - July 1 - as restated | 153,095 | 3,318 | 224,552 | (36,512) |
| Total net assets - June 30 | \$ 155,375 | \$ 3,478 | \$ 217,622 | \$ (45,495) |

The notes to the financial statements are an integral part of this statement.

| MONTANA SURPLUS LINES | MONTANA STATE UNIVERSITY | UNIVERSITY OF MONTANA | TOTAL |
|-----------------------------|--------------------------------|-----------------------------|--------------|
| \$ 593 | \$ 461,434 | \$ 373,263 | \$ 1,129,723 |
| 644 | 179,095 | 161,461 | 546,131 |
| - | 141,647 | 118,627 | 314,967 |
| - | 26,346 | 16,416 | 42,762 |
| 644 | 347,088 | 296,504 | 903,860 |
| 51 | (114,346) | (76,759) | (225,863) |
| - | 603 | - | 603 |
| (26) | (7,140) | (26,902) | (12,735) |
| - | 108,023 | 81,547 | 189,570 |
| - | 89 | (170) | (81) |
| - | - | - | 3 |
| - | 4,267 | 4,311 | 8,578 |
| (26) | 105,842 | 58,786 | 185,938 |
| 25 | (8,504) | (17,973) | (39,925) |
| 390 | 439,421 | 400,850 | 1,185,114 |
| 25 | (5,453) | - | (5,428) |
| 415 | 433,968 | 400,850 | 1,179,686 |
| \$ 440 | \$ 425,464 | \$ 382,877 | \$ 1,139,761 |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements for the State of Montana have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

For financial reporting purposes, the State of Montana has included all funds which comprise the State of Montana (the primary government) and its component units. The component units are entities for which the State is financially accountable, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Discretely Presented Component Units

These component units are entities that are legally separate from the State because they possess corporate powers, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. Complete financial statements of the individual component units, which issue separate financial statements, can be obtained from their respective administrative offices. The component unit columns of the combined financial statements include the financial data of the following entities.

Housing Authority – This authority, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor. It was created in 1975 to facilitate the availability of decent, safe, and sanitary housing to persons and families of lower income. The board issues negotiable notes and bonds to fulfill its purposes. The total amount of notes and bonds outstanding at any time may not exceed \$1.5 billion. Neither the faith and credit nor taxing power of the State of Montana may be pledged for the amounts so issued. The authority is audited annually by the State's Legislative Audit Division. The report is issued under separate cover and available at 301 South Park, Room 240, PO Box 200528, Helena, MT 59620-0528.

Facilities Finance Authority – This authority, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor with the advice and consent of the Senate. The authority assists all eligible, non-profit Montana health care and other community-based service providers to obtain and maintain access to the broadest range of low-cost capital financing as possible. The board issues revenue bonds to fulfill its purposes. Neither the faith and credit nor taxing power of the State of Montana may be pledged for the amounts so issued. Individual audit reports are issued every two years by the State's Legislative Audit Division. The report is issued under separate cover and available at 2401 Colonial Drive, 3rd Floor, PO Box 200506, Helena, MT 59620-0506.

Montana State Fund (New Fund and Old Fund) - Though reported in separate columns, The Montana State Fund (New Fund) and the State of Montana (Old Fund) are one legally separate entity, thus a single component unit with separate accounting funds. Both New Fund and Old Fund are a nonprofit, independent public corporation governed by a board of directors appointed by the Governor.

Montana State Fund - New Fund – New Fund provides workers compensation insurance for claims incurred after June 30, 1990, and is financed by member (employer) premiums. The New Fund is audited annually by the State's Legislative Audit Division. The report is issued under separate cover and available at 5 South Last Chance Gulch, Helena, MT 59601.

State of Montana – Old Fund – Old Fund covers worker compensation claims that were incurred before July 1, 1990. Administrative operations and budgets may be reviewed by the Governor and the Legislature, but they have no authority over budgets or costs. The Old Fund is audited annually by the State's Legislative Audit Division. The report is issued under separate cover and available at 5 South Last Chance Gulch, Helena, MT 59601.

Montana Surplus Lines – Montana Surplus Lines Agents' Association is a legally separate entity appointed as an advisory organization by the Montana Insurance Commissioner, and primarily performs services as directed by the Commissioner. The Association operates the Montana Surplus Lines Agents' Association Stamping Office. The Association, on behalf of the Commissioner, processes surplus lines transactions, collects applicable stamping fees, and sends tax statements to surplus lines agents who have filed surplus lines transactions with the stamping office. Surplus lines insurance companies provide specialized insurance coverage, of an unusual or high risk nature,

that is not provided by other insurance companies. The association was audited annually through December 31, 2008 by Galusha, Higgins & Galusha, PC. The report is issued under separate cover, and is available at 840 Helena Avenue, Helena, MT 59601.

Universities and Colleges – The State Board of Regents has responsibility for the following institutions: The University of Montana - Missoula and the units under it including Montana Tech of the University of Montana, The University of Montana - Western and The University of Montana - Helena College of Technology; and Montana State University - Bozeman and the units under it including Montana State University - Billings, Montana State University - Northern, and the Montana State University College of Technology - Great Falls. All units are funded through state appropriations, tuition, federal grants, and private donations and grants. The universities are audited annually by the State's Legislative Audit Division. The reports are issued under separate cover and are available at the President's Office on each of the campuses or by contacting the Commissioner of Higher Education, 2500 Broadway Street, Helena, MT 59620-3201.

Though the following organizations perform functions related to the higher education units, they are not considered part of Montana's reporting entity: (1) Community Colleges which are considered part of local units of government; (2) the Montana Higher Education Student Assistance Corporation, a private non-profit corporation; and (3) the Student Assistance Foundation of Montana, a private non-profit corporation. Entities such as local school districts and local authorities of various kinds are considered part of local units of government and have not been included. The State's support of local public education systems is reported in the General Fund and the State Special Revenue Fund.

Fiduciary Fund Component Units

Teachers Retirement System (Pension Trust Fund) – This retirement plan is a legally separate entity with a board appointed by the Governor. Its purpose is to provide retirement, disability, death and lump-sum payments to members of Montana's public teaching profession. The administrative costs of the Teachers Retirement System are paid from investment earnings of the fund. The plan is funded from employer and employee contributions and investment earnings. The board is a discretely presented component unit. The plan is audited annually by the State's Legislative Audit Division. Its report is issued under separate cover and is available at 1500 East Sixth Avenue, PO Box 200139, Helena, MT 59620-0139.

Public Employees' Retirement Board (Pension and Other Employee Benefit Trust Funds) – The board is appointed by the Governor and administers ten separate retirement plans for the purpose of providing

retirement, disability, death, and lump-sum payments to plan members. These legally separate plans include the Public Employees' Retirement Plan – Defined Benefit and Defined Contribution and the associated education funds; the Judges'; the Highway Patrol Officers'; the Sheriffs'; the Game Wardens' and Peace Officers'; the Municipal Police Officers'; and the Firefighters' Unified Retirement Systems; as well as the Volunteer Firefighters' Compensation Act. The board also administers the State of Montana Deferred Compensation Program.

The Public Employees' Retirement System (PERS) includes the Public Employees' Defined Benefit Retirement Plan and the Public Employees' Defined Contribution Retirement Plan, and is funded by member and employer contributions, investment earnings and contributions from the state. The PERS also accounts for the administrative costs, paid from investment earnings, of the plan. These are allocated out to all plans. The Judges' Retirement System is funded by member and state employer contributions, and investment earnings. The Highway Patrol Officers' Retirement System is funded by member and state employer contributions, state contributions, and investment earnings. The Sheriffs' Retirement System is funded by member and employer contributions, and investment earnings. The Game Wardens' and Peace Offices' Retirement System is funded by member and employer contributions, and investment earnings. The Municipal Police Officers' Retirement System is funded by member and employer contributions, state contributions, and investment earnings. The Firefighters' Unified Retirement System is funded by employee and employer contributions, and investment earnings, as well as state contributions from a portion of insurance premium taxes collected by the State of Montana. The Volunteer Firefighters' Compensation Act is funded by the state contributions of a percentage of fire insurance premium taxes collected. The State of Montana Deferred Compensation Program is funded by member contributions and investment earnings; there are two employers, Great Falls Transit and the town of Whitehall, that contribute to the program on behalf of their employees.

The board is a discretely presented component unit responsible for the ten separate public employee retirement plans including the Deferred Compensation Program. These are reported as pension and other employee benefit trust funds. The board is audited annually by the State's Legislative Audit Division. Its report is issued under separate cover and is available at 100 North Park, Suite 200, PO Box 200131, Helena, MT 59620-0131.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the State of Montana and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the State of Montana is reported separately from certain legally separate component units for which the State is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Certain indirect costs are included in the program expense reported for the individual functions and activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Fiduciary fund statements are reported only in the fund financial statements. Major individual governmental and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary fund, and fiduciary fund (except for agency fund) financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned; expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all of the eligibility requirements imposed by the provider are met. Agency funds have no measurement focus. These funds report only assets and liabilities, recognizing receivables and payables using the accrual basis of accounting.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are realizable, measurable, earned, and available. Revenue is considered realizable when it is probable the amount will be collected. Revenue is considered measurable and realizable if the precise amount is known because the transaction is completed, or if there is enough information to provide a reasonable estimate of the net realizable revenue to be received. Revenue is considered to have been earned when the exchange of goods or services has taken place. Revenue is considered to be available if it is collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the State considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

The major revenue sources considered susceptible to accrual are licenses and permits, natural resource taxes, individual income taxes, corporate income taxes, property taxes, fuel taxes, and certain federal revenues (reimbursable grants and U.S. mineral royalties). All other revenue is considered to be measurable and available when the cash is received.

Fund Financial Statements

The State uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The financial activities of the State of Montana are classified into fund categories as described below:

Governmental Funds

General Fund – To account for all governmental financial resources, except those required to be accounted for in another fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources restricted to expenditure for specified purposes other than major capital projects.

Debt Service Funds – To account for resources accumulated for payment of principal and interest on general long-term obligation debt.

Capital Projects Funds – To account for resources used for the acquisition or construction of major capital

facilities, other than those financed by proprietary or trust funds.

Permanent Funds – To account for resources that are permanently restricted to the extent that only earnings, not principal, may be used for the purposes of supporting the government's programs.

Proprietary Funds

Enterprise Funds – To account for operations (1) financed and operated similar to private business enterprises, where the intent of the Legislature is to finance or recover costs primarily through user charges; (2) where the Legislature has decided periodic determination of revenue earned, expenses incurred, or net income is appropriate; (3) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; (4) when laws or regulations require that the activities' costs of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues. The primary focus of fee revenues charged by enterprise funds is users outside of the primary government.

Internal Service Funds – To account for the financing of goods and services provided by one department or agency to other departments, agencies, or other governmental entities on a cost-reimbursement basis.

The State of Montana reports two employee group benefits funds. The MUS Group Insurance Fund primarily charges its fees to Montana State University and the University of Montana. The universities are reported as discretely presented component units, which the State considers to be external users, and as such, reports the MUS Group Insurance Fund as an enterprise fund. The Employee Group Benefits Fund charges its fees to funds of the primary government, and as such, is reported as an internal service fund.

Fiduciary Funds

To account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, or other governments. These assets cannot be used to support the government's own programs.

Pension (and Other Employee Benefit) Trust Funds – These funds report resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit plans, defined contribution plans, other retirement plans such as firefighters, police officers, teachers etc., and other post employment benefit plans. Plan members receive retirement, disability, death, and lump-sum payments from the fund. For detail on the individual plans, see Note 6.

Private-Purpose Trust Funds – These funds are used to account for assets held by the State in a trustee

capacity, where both the principal and earnings benefit individuals, private organizations, or other governments. Examples include the State's escheated property fund, unliquidated security bonds held on deposit from self-insured employers, environmental reclamation bonds held in trust, and others.

Investment Trust Fund – This fund accounts for the receipt of monies by the Montana Board of Investments for investment in the Short-term Investment Pool (STIP), an external investment pool, and the distribution of related investment earnings to local government agencies.

Agency Funds – Account for assets held by the State as an agent for individuals, private organizations, and other governments. For example, various agencies including State Auditor, Fish, Wildlife and Parks, and the Department of Natural Resources and Conservation hold deposits pending compliance with performance agreements. Other examples include monies belonging to state institution residents and child support payments from parents.

Major Governmental Funds

The General Fund is the State's primary operating fund, as previously defined.

The State Special Revenue Fund accounts for activities funded from state sources, which are restricted either legally or administratively for particular costs of an agency, program, or function.

The Federal Special Revenue Fund accounts for activities funded from federal sources used in the operation of state government.

The Coal Tax Trust Permanent Fund, created by Article IX, Section 5 of the Montana State Constitution, receives 50% of all coal tax collections. The principal in this fund can be expended only upon affirmative vote of three-fourths of each house of the Legislature.

The Land Grant Permanent Fund accounts for lands granted to the State for support of public schools and state institutions.

Major Enterprise Funds

The Unemployment Insurance Fund accounts for employer contributions deposited with the Secretary of the Treasury of the United States to the credit of the State's unemployment trust fund. Unemployment benefits are paid from this fund to eligible recipients.

The Economic Development Bonds Fund accounts for the Economic Development Bond Act programs and the Municipal Finance Consolidation Act programs. These programs assist Montana's small businesses and local governments in obtaining long-term, fixed-rate financing through private Montana lending institutions.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed by both the government-wide and proprietary fund financial statements to the extent they do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds. The State has elected not to follow subsequent private sector guidance.

As a general rule, material interfund revenues have been eliminated from the government-wide financial statements. These have not been eliminated where their elimination would distort the direct costs and program revenues of the functions involved.

The State does not allocate indirect expenses to functions in the Statement of Activities.

D. Proprietary Activity Accounting and Financial Reporting

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating.

E. Cash/Cash Equivalents

For all funds, cash and cash equivalents consist of amounts deposited in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in the Short-term Investment Pool (STIP), cash held by trustees, undeposited cash held by individual state agencies, and investments categorized as cash equivalents, which are short-term, highly liquid investments with original maturities of three months or less. For 2009, certain investments in STIP were reclassified as long-term investments. (See Note 3).

F. Receivables

This classification, net of estimated uncollectibles, consists primarily of receivables for goods sold and services provided; short-term loans and notes; interest and dividends; taxes due within 60 days of fiscal year-end; and income, withholding, and inheritance taxes that are past due. An allowance for uncollectible taxes is provided based upon historical analysis. Further detail relating to receivables is provided in Note 4.

Pledged receivables are disclosed in Note 2C.

G. Inventories

Inventories of materials and supplies are stated at cost. The State allows agencies to use any generally accepted inventory pricing method, but specifies the first-in, first-out method should be appropriate for most agencies.

Governmental funds use the "purchase method," meaning inventory purchases are recorded as expenditures. At fiscal year-end, significant amounts of inventory are shown as a reservation of fund balance, indicating they do not constitute available expendable resources.

Proprietary and fiduciary funds report using the "consumption method," meaning inventories are expensed as used.

H. Restricted Assets

Certain investments of the Economic Development Bonds Enterprise Fund are classified as restricted assets on the Statement of Net Assets for Proprietary Funds because their use is limited by applicable bond indenture agreements.

I. Equity in Pooled Investments

The Montana Board of Investments manages the State's Unified Investment Program, which includes several internal investment pools. Participation in the pools is restricted to permanent funds, private-purpose trust funds, investment trust funds, pension trust funds, Montana University System Units, and specific funds established within the State Special Revenue Fund. The participant investments in the pools are reported at fair value in the assets within the individual funds (See Note 3 on Cash/Cash Equivalents and Investments).

J. Investments

In accordance with the Montana Constitution and the statutorily mandated "Prudent Expert Rule," the State of Montana invests in various types of securities for each portfolio it manages. Certain securities including asset-backed securities, variable-rate instruments, zero-coupon bonds, preferred stocks, and mortgage-backed securities are purchased for portfolio diversification and a competitive rate of return. Most investments are reported at fair value in the Balance Sheet or Statement of Net Assets. Investments are reported by type in the disclosure of custodial credit risk for each investment

portfolio (See Note 3 on Cash/Cash Equivalents and Investments).

K. Capital Assets

Capital asset valuation is based on actual historical cost or, in the case of donations, fair market value on the date donated. General government infrastructure capital assets are capitalized and reported in the government-wide financial statements. Infrastructure assets of proprietary funds are capitalized on the fund financial statements. Interest incurred during the construction of capital assets for proprietary funds and higher education units is capitalized. The State has chosen to use the depreciation approach for infrastructure assets and is reporting accumulated depreciation in the Statement of Net Assets and depreciation expense in the Statement of Activities for these assets.

Capital assets in proprietary, private-purpose trust, and pension trust funds are accounted for within their respective funds and are depreciated. Depreciation is on a straight-line basis with estimated useful lives of 25 to 60 years for buildings, 7 to 20 years for building improvements, 3 to 10 years for equipment, and 10 to 50 years for infrastructure. State agencies are also required to extend or shorten the useful lives of capital assets to reflect their actual experience or industry standards when appropriate.

The capitalization limit for buildings and building/land improvements is \$25,000. The capitalization threshold for infrastructure is \$500,000. Agencies are allowed to capitalize additions to collections and land acquisitions at any cost. The capitalization limit for other capital assets is set at \$5,000. Purchases under these thresholds are recorded as expenditures/expenses in the current period.

L. Deferred Revenue

Deferred revenue in the government-wide, proprietary fund, and fiduciary fund financial statements relates to unearned revenue. A liability for unearned revenue is recorded when assets are recognized in connection with a transaction prior to the earnings process being completed.

Deferred revenue in the governmental fund financial statements relates to both unearned revenue (as discussed above) and unavailable revenue. A liability for unavailable revenue is recorded when assets are recognized in connection with a transaction, but those assets are not considered available to finance expenditures of the current fiscal period.

M. Long-term Obligations

Long-term obligations expected to be financed from governmental funds are reported in the government-wide financial statements. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from current expendable available financial resources is reported as a fund liability of a governmental fund in the fund financial statements. The remaining portion of such obligations is reported in the government-wide financial statements.

Long-term liabilities expected to be financed from proprietary and fiduciary fund operations are accounted for in those funds.

N. Capital Leases

A capital lease is generally defined by Financial Accounting Standards Board (FASB) Statement No. 13, Accounting for Leases, as one which transfers benefits and risks of ownership to the lessee. At the inception of a capital lease, in the government-wide, proprietary fund, and fiduciary fund financial statements, a capital asset and a capital lease liability are recorded at the present value of the future minimum lease payments. In the governmental fund financial statements, because the modified accrual basis of accounting is used, no asset or liability is recorded related to assets under capital leases. Rather, in the governmental fund financial statements, at the inception of a capital lease, a capital outlay expenditure and an other financing source (inception of lease/installment contract) are recorded at the net present value of the minimum lease payments.

O. Bond Discounts/Premiums/Issuance Costs

Bond premiums and discounts, as well as issuance costs, are recognized in the current period for governmental funds in the fund financial statements. Bond proceeds and bond premiums are reported as an other financing source, and bond discounts are reported as an other financing use. Issuance costs are reported as debt service expenditures whether or not they are withheld from the bond proceeds. In proprietary fund types and in governmental funds as presented in the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds, which approximates the effective interest method. Bonds payable are recorded net of any applicable premium or discount, while issuance costs are reported as deferred charges.

P. Compensated Absences

Full-time state employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Teachers employed by the State do not receive vacation leave. Vacation leave may be accumulated and carried over from one year to the next. The carryover is limited to two times the maximum number of days earned annually. Sick leave is earned at the rate of 12 days per year with no limit on accumulation. Each contribution year, an employee may contribute a maximum of 80 hours of sick or annual leave to a nonrefundable sick leave pool. Excess annual leave that is being forfeited can also be contributed, with no maximum contribution. Based on a review, the adjusted ending balance of the pool for June 30, 2008, was 3,775 hours. For fiscal year 2009, 1,420 sick leave hours, 326 annual leave hours, and 4,550 excess annual leave hours were contributed to the sick leave pool, and 3,070 hours were withdrawn, leaving a balance of 7,001 hours in the pool. No liability is reported in the accompanying financial statements because these hours are nonrefundable to contributors, except by grants approved through an application process.

Vested or accumulated leave for proprietary and fiduciary funds is recorded as an expense and liability of those funds in the fund financial statements. For governmental funds, the liability is not expected to be liquidated with expendable financial resources. The expenditure and liability for the governmental funds is reported only in the government-wide financial statements. Upon retirement or termination, an employee is paid for 100% of unused vacation leave and 25% of unused sick leave.

Q. Advances to Other Funds

Noncurrent portions of long-term interfund receivables are reported as advances and are offset equally by a fund balance reserve account in the fund financial statements, which indicates that they do not constitute expendable available financial resources. The transaction is recognized by the receiving fund as advances from other funds.

R. Fund Balance/Net Assets

The State reserves those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for the future use of financial resources. The debt service funds designated fund balances represent management's desire to maintain fund balance for future debt service payments.

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide Statement of Net Assets reported restricted net assets (in thousands) of \$2,585,343, of which \$1,052,327 is restricted by enabling legislation.

S. Property Taxes

Real property taxes are levied in October and are payable in two installments on November 30 and May 31. These taxes attach as an enforceable lien immediately if not paid when due.

Personal property tax levies are set each August, and notices are normally mailed the following March or April. Half of mobile home taxes are due in 30 days and the remaining half on September 30. Taxes on all other types of personal property are to be paid in full 30 days after receipt of the notice.

Personal property taxes attach as an enforceable lien immediately if not paid when due. Property taxes are collected by each of Montana's 56 counties. The counties then remit the State's portion to the State Treasury. The majority of these taxes help fund public school systems and higher education.

T. Other Taxes

On the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds, the revenue category "Other Taxes" in the General, State Special Revenue, and Nonmajor Governmental funds consists of the following taxes (in thousands):

| | General Fund | State Special Revenue Fund | Nonmajor Governmental Funds | Total |
|---------------------------|-------------------------|---|--|------------------|
| Accommodations | \$ 12,449 | \$17,090 | \$ - | \$ 29,539 |
| Agriculture sales | - | 3,696 | - | 3,696 |
| Cigarette/tobacco | 39,320 | 49,101 | 1,977 | 90,398 |
| Fire protection | - | 3,494 | - | 3,494 |
| Insurance premium | 49,765 | 14,865 | - | 64,630 |
| Livestock | - | 3,601 | - | 3,601 |
| Other taxes | 24,873 | 6,828 | - | 31,701 |
| Public Service Commission | - | 3,685 | - | 3,685 |
| Telephone license | 22,223 | - | - | 22,223 |
| Video gaming | 62,458 | 27 | - | 62,485 |
| Total other taxes | <u>\$211,088</u> | <u>\$102,387</u> | <u>\$1,977</u> | <u>\$315,452</u> |

NOTE 2. OTHER ACCOUNTING ISSUES

A. New Accounting Guidance Implemented

For the year ended June 30, 2009, the State of Montana and its component units (the State) implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 49 – “Accounting and Financial Reporting for Pollution Remediation Obligations”. GASB Statement No. 49 specifies the accounting and financial reporting for pollution remediation obligations, including contaminations. These obligations address the current or potential detrimental effects of existing pollution in pollution remediation activities. Should an obligating event occur, GASB Statement No. 49 requires a government to estimate the components of expected pollution remediation outlays and determine whether these outlays should be accrued as a liability or capitalized when goods and services are acquired. Per GASB Statement No. 49, an obligating event occurs when (1) a government is compelled to take pollution remediation action because of an imminent endangerment, (2) a government violates a pollution prevention-related permit or license, (3) a government is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party for remediation, or as a government responsible for sharing costs, (4) a government is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation or (5) a government commences or legally obligates itself to commence pollution remediation. If the pollution remediation outlays are incurred (1) to prepare property for sale in anticipation of a sale, (2) to prepare property for use when the property was acquired with known or suspected pollution that was expected to be remediated, (3) to perform pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment, or (4) to acquire property, plant and equipment that have a future alternative use other than remediation efforts they should be capitalized in government-wide and proprietary fund financial statements. If the pollution remediation outlays do not qualify for capitalization, they should be accrued as a liability and expensed when a range of expected outlays is reasonably estimable or as an expenditure upon receipt of goods and services.

For the year ended June 30, 2009, the State implemented the provisions of GASB Statement No. 52 – “Land and Other Real Estate Held as Investments by Endowments”. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report land and other real estate investments at fair value. Furthermore, governments

are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions used to determine fair value, and other information currently presented for other investments reported at fair value.

For the year ended June 30, 2009, the State implemented the provisions of GASB Statement No. 55 – “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”. The objective of GASB Statement No. 55 is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB’s authoritative literature rather than in the American Institute of Certified Public Accountants (AICPA) where it resided previous to this statement.

For the year ended June 30, 2009, the State implemented the provisions of GASB Statement No. 56 – “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”. The objective of GASB Statement No. 56 is to incorporate the AICPA’s accounting and financial reporting guidance into the GASB authoritative literature. This Statement addresses related party transactions, going concern considerations, and subsequent events which were previously not included in the authoritative literature that establishes accounting principles but rather in the auditing literature. GASB Statement No. 56 does not establish new accounting standards but rather incorporates the AICPA’s existing guidance into GASB standards, to the extent appropriate in a governmental environment.

B. Prior Period Adjustments

Prior period adjustments reported in the accompanying financial statements relate to corrections of errors or changes in accounting policy from prior periods. Based on the implementation of GASB 49, the State’s estimated pollution remediation liability as of July 1, 2008 was estimated at \$308.8 million. No other significant corrections were made for fiscal year 2009.

C. Pledged Receivables

During the year ended June 30, 2002, the common school mineral royalties’ income stream, which included oil, coal, gas, gravel, and metalliferous royalties over 30 years totaling approximately \$138.9 million, were sold to the Department of Natural Resources and Conservation (DNRC). The present value of the future revenues, at the date of sale, was estimated to be \$46.4 million. The Secretary of State

reviewed the provisions of the transactions as specified in Senate Bill (SB) 495, and determined that a discount rate of 9.8% would represent the fair market value, since the amount of the royalties dedicated is fixed, and the risk is limited to variation in the timing of receipts.

As of June 30, 2009, \$14 million of the \$138.9 million is yet to be collected.

NOTE 3. CASH/CASH EQUIVALENTS AND INVESTMENTS

This note details the following asset classifications (in thousands):

| | |
|------------------------------|-------------|
| Cash/cash equivalents | \$2,554,984 |
| Equity in pooled investments | \$7,435,423 |
| Investments | \$2,409,294 |

Carrying amounts for the bank balance for Cash Deposits and fair values for the State's cash equivalents and investments are presented in Tables 1 through 4.

A. General

(1) Cash and cash equivalents consist of funds deposited by individual funds in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in the Short-term Investment Pool, cash held by trustees, undeposited cash held by individual state agencies, and investments categorized as cash equivalents.

Cash deposited with the State Treasurer's pooled cash account is invested by the Montana Board of Investments (BOI) in short-term securities and other investments. Because these funds are immediately available to the individual funds, their investment in the pooled cash account is reported as a cash equivalent. In addition to the State Treasurer's pooled cash account, there is the Short-term Investment Pool (STIP) maintained by the BOI. This investment fund provides individual state agencies and local governments an opportunity to invest excess cash in a money market fund. Because these pooled funds are invested in short-term, highly liquid investments, the individual fund investments in the STIP are reported as a cash equivalent.

Although STIP, an external investment pool, is not registered with the Securities and Exchange Commission (SEC) as an investment company, the BOI has as policy that STIP will, and does, operate in a manner consistent with the SEC Rule 2a7. By meeting certain conditions, STIP, as a 2a7-like pool, is allowed to use amortized cost rather than fair value to report net

assets to compute unit values. The portfolio is carried at amortized cost or book value. State agencies that are allowed to retain their interest earnings within their funds are required to invest in STIP. Local government participation in STIP is voluntary. Separately issued external investment pool financial statements may be obtained by contacting the Montana Board of Investments, 2401 Colonial Drive, 3rd Floor, PO Box 200126, Helena, MT 59620-0126.

The State's cash equivalents and investments are detailed in Table 2 - Cash Equivalents, Table 3 - Equity in Pooled Investments, and Table 4 - Investments to disclose the level of investment risk, when applicable, assumed by the State at June 30, 2009.

(2) All securities are reported by investment portfolio and type in Table 2 - Cash Equivalents, Table 3 - Equity in Pooled Investments, and Table 4 - Investments. The State invests in certain types of securities, including U.S. government direct-backed, U.S. government indirect-backed, corporate stock/bonds, foreign government bonds, common stock, municipals, equity index, preferred stock, convertible equity securities, asset-backed securities, American Depositary Receipts (ADRs), equity derivatives, commingled funds, venture capital, leveraged buyout, mezzanine, diversified real estate portfolio, distressed debt, special situation and secondary investments, and cash equivalents, to provide a diversified investment portfolio and an overall competitive rate of return.

U.S. government direct-backed securities include direct obligations of the U.S. Treasury and obligations explicitly guaranteed by the U.S. government. U.S. government indirect-backed obligations include U.S. government agency and mortgage-backed securities. U.S. government mortgage-backed securities reflect participation in a pool of residential mortgages.

Common stock represents ownership units (shares) of a public corporation. Common stock owners are entitled to vote on director selection and other important matters, as well as receive dividends on their holdings. Equity index investments are investments in selected mutual funds whose equity portfolios match a broad based index or composite. Preferred stock, as a class of stock, pays dividends at a specified rate and has preference in the payment of dividends and liquidation of assets. Preferred stock holders, ordinarily, do not have voting rights. Convertible securities are securities carrying the right to exchange, or "convert" the instrument for other securities of the issuer or of another issuer. This definition most often applies to preferred stocks or corporate bonds carrying the right to exchange for a fixed number of shares of the issuer's common stock. ADRs are receipts issued by a U.S. depository bank representing shares of a foreign stock or bonds held abroad by the foreign sub-custodian of

the American depository bank. Equity derivatives “derive” their value from other equity instruments such as futures and options. An institutional commingled fund combines assets from several institutional investors that are blended or pooled together, to reduce management and administration costs. The investor buys shares in the fund.

Venture capital represents private equity investments in early stage financing of rapidly growing companies with an innovative product or service. Leveraged buyouts (LBOs) permit an investment group to acquire a company by leveraging debt, as a financing technique, to establish a significant ownership position on behalf of the company’s current management team. Mezzanine investments are the subordinated debt and/or equity of privately-owned companies. The debt holder participates in equity appreciation through conversion features, such as rights, warrants, and/or options. These investments are made via limited partnership agreements in which BOI and other institutional investors invest as limited partners in funds managed by a general partner. These investments are riskier with higher potential return than public equity investments, and are less liquid because the funds are usually committed for at least ten years. Because of the risk and illiquidity, these investments are limited to sophisticated investors only.

Distressed debt represents the private and public debt of companies that appear unlikely to meet their financial obligations.

Special situation investments include the investment in the exploration for oil and/or gas reserves or in the development of proven reserves, investment in land to harvest timber, and investments that have a special component usually related to geographical, economic, or social issues. Secondary investments are investments in previously owned limited partnerships. These investments may be direct or via a general partner specializing in secondary investments. Private equity investments are long-term, by design, and extremely hard to value.

Diversified real estate portfolio includes investments in core, value-added, and opportunistic real estate. Core investments are the least risky with the lowest return, and are usually managed in commingled accounts in which the investor purchases shares. Value-added and opportunistic real estate investments provide more risk. Opportunistic investments are less liquid than core investments. These investments are usually made through limited partnership agreements.

Investments are presented in the Statement of Net Assets at fair value. Fair values for investment pool securities are determined primarily by reference to market prices supplied to the BOI by BOI’s custodial bank, State Street Bank. Amortized cost represents the

original cost, adjusted for premium and discount amortization, where applicable. Premiums and discounts are amortized/accreted using the straight-line or scientific method to the call, average life or maturity date of the securities. Amortized cost may also be referred to as book value.

Under the provisions of state statutes, the State has, via a Securities Lending Authorization Agreement, authorized the State’s agent to lend the State’s securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. During the period the securities are on loan, the State receives a fee and the agent must initially receive collateral equal to 102% to 105% of the fair value of the loaned securities and maintain collateral equal to not less than 100% of the fair value of the loaned security. During the fiscal year, the State’s agent loaned, on behalf of the State, certain securities held by the agent and received U.S. dollar and foreign currency cash, U.S. government securities, sovereign debt rated A or better, convertible bonds, and irrevocable bank letters of credit as collateral. The State’s agent does not have the ability to pledge or sell collateral securities unless the borrower defaults. The State retains all rights and risks of ownership during the loan period. At year-end, the BOI has no credit risk exposure to borrowers because the amount the BOI owes the borrowers exceeds the amount the borrowers owe the system.

B. Cash/Cash Equivalents

(1) **Cash Deposits** – The State requires collateralization based on the average daily bank balance in the depository bank holding the main State bank account. For other depository banks, state statutes require collateralization at 50% of the bank balance. The cash deposits amount includes both primary government and component unit deposits.

Table 1 - Cash Deposit Amounts
(in thousands)

| | Carrying Amount |
|-------------------------------------|----------------------------|
| Cash held by State/State's agent | \$154,960 |
| Uninsured and uncollateralized cash | 1,553 |
| Undeposited cash | 825 |
| Cash in U.S. Treasury | 193,355 |
| Cash in MSU component units | 6,243 |
| Cash in UM component units | 4,696 |
| Less: outstanding warrants | (46,389) |
| Total cash deposits | \$315,243 |

As of June 30, 2009, the carrying amount of deposits for component units was \$124,727,492, as included in Table 1.

(2) **Cash Equivalents** – consists of cash in the State Treasury invested by individual funds in the Short-term Investment Pool (STIP), the State Treasurer's pooled cash account, and in identifiable securities and investments considered to be cash equivalents. Cash equivalents, generally, are short-term, highly liquid investments with original maturities of three months or less. Cash equivalents may be under the control of the Board of Investments or other agencies, as allowed by law.

Table 2 - Cash Equivalents
(in thousands)

| | Fair Value | Credit Quality Rating | WAM in Days |
|--|-----------------------|--------------------------------------|----------------------------|
| Commercial paper | \$ 299,327 | A1 | 23 |
| Corporate fixed | 164,976 | A1+ | 16 |
| Corporate variable-rate | 36,474 | A3 | 196 |
| Municipal variable-rate | 364,248 | A3 | 67 |
| Certificate of deposit – fixed | 25,000 | A1+ | 360 |
| Certificate of deposit – variable | 105,000 | A1 | 62 |
| US government agency fixed | 140,672 | A1+ | 73 |
| US government agency variable | 750,531 | A1+ | 45 |
| Money market fund unrated | 121,428 | NR | 1 |
| Money market fund rated | 180,000 | A1+ | 1 |
| Repurchase agreement | 15,846 | NR | NA |
| Money market | 67,294 | NR | NA |
| Less: STIP included in pooled investment balance | (31,055) | | |
| Total cash equivalents | \$2,239,741 | | 46 |
| Securities lending collateral investment pool | \$ 151,016 | NR | 43 |

(1) As of June 30, 2009, a repurchase agreement, per contract, was collateralized at 102% for \$16,162,802 by two Federal Loan Mortgage Corporation Gold securities maturing September 1, 2018 and November 1, 2035. These securities carry AAA credit quality ratings.

(2) The government direct-indirect securities are included in the credit quality rating and effective duration table in Note 3 D (Investments).

As of June 30, 2009, local governments invested \$425,320,891 in STIP.

As of June 30, 2009, component units of the State of Montana had investments in cash equivalents with a book value and fair value of \$311,907,592.

Investment Risk Disclosures

The investment risk disclosures are described in the following paragraphs and are identified by the specific pools or securities to which they pertain, when applicable.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The STIP securities have credit risk as measured by major credit rating services. This risk is that the issuer of a STIP security may default in making timely principal and interest payments. The Board of Investment's policy requires that STIP securities be rated an investment grade as defined by at least one of the Nationally Recognized Statistical Rating Organizations (NRSRO).

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk, and do not require disclosure of credit quality per GASB Statement 40.

STIP investments are categorized above to disclose credit risk as of June 30, 2009. Credit risk reflects the security quality rating, by investment security type, as of the June 30 report date. If a security investment type is unrated, the quality type is indicated by NR (not rated). Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated by the NRSRO.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of June 30, 2009, all STIP securities were registered in the nominee name for the Montana Board of Investments and held in the possession of the board's custodial bank, State Street Bank, or the State's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The STIP had concentration of credit risk exposure to the Federal Home Loan Bank of 6.86%, Federal National Mortgage Association (Fannie Mae) of 7.55 % and the Federal Home Loan Mortgage Corp. (Freddie Mac) of 5.71% as of June 30, 2009.

The concentration of credit risk for the rated securities is included in the disclosure in Note 3 D (Investments).

Interest Rate Risk

STIP interest rate risk is determined using the weighted average maturity (WAM) method. The WAM measure expresses investment time horizons: the time when investments are due and payable in days, months or years, weighted to reflect the dollar size of individual investments within an investment type.

Legal and Credit Risk

In January 2007, BOI purchased a \$25 million par issue of Orion Finance USA. In April 2007, BOI purchased two issues of Axon Financial Funding totaling \$90 million par and another \$25 million par issue of Orion Finance USA. As of June 30, 2007, these Structured Investment Vehicle (SIV) securities held in the STIP portfolio carried a combined amortized cost of \$139,991,131, representing 5.02% of the total portfolio. At the time of purchase, and as of June 30, 2007, these four issues received the highest investment grade rating of AAA by Standard & Poors and Aaa by Moody's. As of June 30, 2009 and 2008, these issues carried a D rating by Standard & Poors. On November 20, 2007, an insolvency event was declared by Axon Finance USA. Orion Financial Funding declared an insolvency event on January 14, 2008. On the January and April 2008 maturity dates, these securities matured at their amortized cost of \$140 million. BOI has determined that it is currently in the best interest of the STIP to continue to hold these securities in the investment portfolio. These SIV securities are currently undergoing restructuring while the underlying securities in the vehicle generate cash. At this time, there is no certain date for completion of the restructuring, which will likely include the creation of new securities to replace the original securities.

Of the \$5,687,990 interest receivable total as of June 30, 2008, \$2,729,889 is attributable to the above securities for interest accrued to their respective maturity dates. While payment of the Orion Finance USA interest receivable of \$903,922 remains unknown as of June 30, 2009, BOI received 100% payment of \$1,825,967 on the Axon Financial Funding interest receivable on November 14, 2008.

In fiscal year 2009, the Board also received Axon Financial Funding payments on principal of \$12,374,434 and interest compensation of \$1,807,998 in excess of the accrued interest receivable. Axon Financial Funding payments totaled \$16,008,399 for fiscal year 2009. In June 2009, the Board applied \$14 million from the STIP reserve to the outstanding principal for Axon Financial Funding and Orion Finance USA securities. As of June 30, 2009, the Axon Financial Funding and Orion Finance USA outstanding balance are \$68,625,566 and \$45 million, respectively, for a combined SIV total of \$113,625,566. This

outstanding balance has been reclassified from cash equivalent to a long term investment.

On August 28, 2009 the Board received an Axon Financial Funding payment of \$4,086,193 representing \$3,893,968 in principal and interest compensation of \$192,225. An additional interest compensation payment of \$153,270 from Axon Financial Funding was received on October 1, 2009.

On October 14, 2009 the Board received its initial payment from Orion Finance USA totaling \$12,490,293. This payment applied \$9,867,165 to principal, \$903,922 to the accrued interest receivable as of January 15, 2008, January 21, 2008, and April 20, 2008, and \$1,719,206 to interest compensation.

A STIP reserve account was established in November 2007. Income is distributed to STIP participants based on accrued interest and discount amortization. To avoid distributing cash to participants based on accrued interest on certain SIVs that may be uncollectible; the accrued interest amount was deposited in this account. Additional accrued income was deposited in the account to pay for any incidental direct expenses incurred as a part of any SIV restructuring activity not to be paid from SIV assets. Accrued income was also deposited in the account to offset any potential principal loss on these securities in the future.

C. Equity in Pooled Investments

These securities consist of investments held by pooled investment funds. The Montana Domestic Equity Pool (MDEP), Trust Funds Bond Pool (TFBP), Retirement Funds Bond Pool (RFBP), Montana International Equity Pool (MTIP), Montana Private Equity Pool (MPEP), and Montana Real Estate Pool (MTRP) were created to allow qualifying funds to participate in diversified investment pools. Purchases are subject to the statutorily mandated “Prudent Expert Principle” (see Table 3 – Equity in Pooled Investments).

Table 3 – Equity in Pooled Investments
(in thousands)

| | Carrying Amount | Fair Value |
|---------------------------------------|----------------------------|-----------------------|
| MDEP: | | |
| Domestic equity pool | \$2,529,967 | \$2,117,338 |
| TFBP: | | |
| Corporate bonds (rated) | 679,374 | 654,271 |
| Municipal government bonds (rated) | 1,110 | 1,110 |
| Municipal government bonds (unrated) | 880 | 880 |
| U.S. government direct-backed | 301,020 | 304,797 |
| U.S. government indirect-backed | 600,750 | 614,933 |
| U.S. government agencies (unrated) | 36,529 | 31,302 |
| STIP | 26,467 | 24,265 |
| STIP Structured Investment Vehicle | 2,202 | 2,202 |
| RFBP: | | |
| Corporate bonds (rated) | 862,471 | 801,929 |
| Corporate bonds (unrated) | 16 | 17 |
| U.S. government direct-backed | 253,899 | 252,322 |
| U.S. government indirect-backed | 551,395 | 569,776 |
| U.S. government agencies (unrated) | 43,760 | 35,919 |
| Repurchase Agreement | 47,287 | 47,287 |
| STIP | 119 | 109 |
| STIP Structured Investment Vehicle | 10 | 10 |
| MTIP: | | |
| International stock pool | 1,059,446 | 973,481 |
| MPEP: | | |
| Private equity pool | 774,020 | 671,456 |
| MTRP: | | |
| Real estate pool | 385,106 | 283,474 |
| STIP | 4,470 | 4,098 |
| STIP Structured Investment Vehicle | 372 | 372 |
| Total pooled investments | 8,160,670 | 7,391,349 |
| Pool adjustments (net) | 44,075 | 44,075 |
| Total equity in pooled investments | <u>\$8,204,745</u> | <u>\$7,435,423</u> |

At June 30, 2009, the carrying and fair value of the underlying securities on loan was \$840,460,826 and \$1,402,928,631, respectively. The collateral provided for the securities on loan totaled \$597,809,843.

As of June 30, 2009, component units of the State of Montana had equity in pooled investments with a book value of \$5,103,327,133 and a fair value of \$5,822,207,279, as included in Table 3.

Investment Risk Disclosures

The investment risk disclosures are described in the following paragraphs, and are identified by the specific pools to which they pertain, when applicable.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. With the exception of the U.S. government securities, the pool fixed-income instruments have

credit risk as measured by major credit rating services. This risk is that the issuer of a fixed-income security may default in making timely principal and interest payments. The Board of Investment's policy requires pool fixed-income investments, at the time of purchase, to be rated an investment grade as defined by Moody's or by Standard & Poor's (S&P) rating services. The U.S. government securities are guaranteed directly or indirectly by the U.S. government. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The credit ratings presented in the following tables are provided by S&P's rating services. If an S&P rating is not available, a Moody's rating has been used.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of fiscal year end, all the fixed-income securities were registered in the nominee name for the Montana Board of Investments. The Equity Index, US Bank repurchase agreement, real estate, mortgage, and loan investments were purchased and recorded in BOI's name. Commingled fund investments are registered in the name of the Montana Board of Investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government are excluded from the concentration of credit risk requirement.

Although the RFBP investment policy does not address concentration of credit risk, the TFBP investment policy states: "with the exception of U.S. government/agency securities, additional purchases will not be made in a credit if the credit risk exceeds 2 percent of the portfolio at the time of purchase". The RFBP had concentration of credit risk exposure to the Federal National Mortgage Association (Fannie Mae) of 16.06% as of June 30, 2009, while the TFBP had concentration of credit risk exposure to the same issuer of 22.63% as of June 30, 2009. The RFBP had concentration of credit risk exposure to the Federal Home Loan Mortgage Corp. (Freddie Mac) of 13.44% as of June 30, 2009, while the TFBP had concentration of credit risk exposure to the same issuer of 13.60% as of June 30, 2009. As of June 30, 2009, MDEP had no single issue investments that exceeded 5% of its portfolio.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with GASB Statement 40, the board has selected the effective duration method to disclose interest rate risk. This information, as provided by the custodial bank, is "An option-adjusted measure of a bond's (or portfolio's) sensitivity to changes in interest rates. Duration is calculated as the average percentage change in a bond's value (price plus accrued interest) under shifts of the Treasury curve plus/minus 100 basis points. The effective duration method incorporates the effect of the embedded options for bonds and changes in prepayments for mortgage-backed securities (including pass-throughs, CMOs, and ARMs)."

Corporate asset-backed securities are based on cash flows from principal and interest payments on underlying auto loan receivables, credit card receivables, and other assets. These securities, while sensitive to prepayments due to interest rate changes, have less credit risk than securities not backed by pledged assets.

As reported in the U.S. government agency category, the RFBP portfolio held REMIC securities totaling \$215,648 at amortized cost as of June 30, 2009, while the TFBP portfolio held REMIC securities totaling \$34,264 at amortized cost. REMICs (Real Estate Mortgage Investment Conduits) are pass-through vehicles for multiclass mortgage-backed securities. These securities are based on separate or combined cash flows from principal and interest payments on underlying mortgages.

The Bond Pools and AOF portfolio fixed income securities pay a fixed rate of interest until maturity while the variable rate (floating rate) securities pay a variable rate of interest until maturity. As of June 30, 2009, these portfolios held six variable rate issues. These securities float with LIBOR (London Interbank Offered Rate).

As of June 30, 2009, the Bond Pools and AOF portfolio held five Collateralized Debt Obligations (CDO). A CDO is security backed by a pool of bonds, loans, and other assets. CDOs do not specialize in one type of debt, but are often non-mortgage loans or bonds. These CDO positions, totaling \$135 million par, are categorized as rated corporate debt in the three portfolios.

Legal Risk

As of June 30, 2009, BOI was not aware of any legal risks regarding investments.

State of Montana investments are categorized below to disclose credit and interest rate risk as of June 30, 2009, as required for applicable pools. Credit risk reflects the bond quality rating, by investment type, as of the June 30 report date. Interest rate risk is disclosed using effective duration. If a bond investment type is unrated, the quality type is indicated by NR (not rated). Both the credit quality ratings and duration have been calculated excluding cash equivalents. If duration has not been calculated, duration is indicated by NA (not applicable).

TFBP
Credit Quality Rating and Effective Duration as of June 30, 2009
(in thousands)

| Security Investment Type | Fair Value | Credit Quality Rating | Effective Duration |
|---|--------------------|------------------------------|---------------------------|
| Corporate bonds (rated) | \$ 654,271 | A | 3.93 |
| Municipal government bonds (rated) | 1,110 | AA | 1.62 |
| Municipal government bonds (unrated) | 880 | NR | 4.31 |
| U.S. government direct-backed | 304,797 | AAA | 6.53 |
| U.S. government indirect-backed | 614,933 | AAA | 3.24 |
| U.S. government agency (unrated) | 31,302 | NR | 6.47 |
| STIP | 26,467 | NR | .13 |
| Total fixed-income investments | <u>\$1,633,760</u> | AA | 4.14 |
| Securities lending collateral investment pool | <u>\$ 296,273</u> | NR | .12 |

RFBP
Credit Quality Rating and Effective Duration as of June 30, 2009
(in thousands)

| Security Investment Type | Fair Value | Credit Quality Rating | Effective Duration |
|---|--------------------|------------------------------|---------------------------|
| Corporate bonds (rated) | \$ 801,929 | A- | 4.29 |
| Corporate bonds (unrated) | 17,277 | NR | 1.36 |
| U.S. government direct-backed | 252,322 | AAA | 5.99 |
| U.S. government indirect-backed | 569,776 | AAA | 3.05 |
| U.S. government agency (unrated) | 35,919 | NR | 7.63 |
| STIP | 118,747 | NR | .13 |
| Total fixed-income investments | <u>\$1,795,970</u> | AA | 4.08 |
| Securities lending collateral investment pool | <u>\$ 313,453</u> | NR | .08 |

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The MPEP, MTRP, and MTIP U.S. dollar cash and equity positions, by currency, are reported in the tables below.

MPEP and MTRP Investments by Foreign Currency
(in thousands)

| Currency | Fund Manager Name | 2009 | |
|---------------------|---|-----------------------|-------------------|
| | | Carrying Value | Fair Value |
| EURO | Terra Firma Fund III | \$13,887 | \$4,056 |
| EURO | HarbourVest Intl Private Equity Fund VI | 187 | 142 |
| EURO | Carlyle Europe Real Estate Partners III | 8,844 | 5,768 |
| Total MPEP and MTRP | | <u>\$22,918</u> | <u>\$9,966</u> |

The U.S. dollar balances of the MTIP cash and investments are disclosed by currency in the following table.

MTIP
Cash by Currency
(in thousands)

| Cash | 2009 | |
|--------------------|----------------------------|-----------------------|
| | Carrying Amount | Fair Value |
| Australian Dollar | \$ 481 | \$ 483 |
| Brazilian Real | 39 | 39 |
| Canadian Dollar | 105 | 104 |
| Danish Krone | 36 | 36 |
| Hong Kong Dollar | 232 | 232 |
| Euro | 2,006 | 2,008 |
| Israeli Shekel | 1 | 1 |
| Japanese Yen | 1,003 | 995 |
| South Korean Won | 12 | 12 |
| Malaysian Ringgit | 66 | 66 |
| Mexican Peso | 38 | 38 |
| New Zealand Dollar | 6 | 7 |
| Norwegian Krone | 92 | 91 |
| Philippine Peso | 21 | 21 |
| Singapore Dollar | 74 | 75 |
| South African Rand | 17 | 17 |
| Swedish Krona | 93 | 93 |
| Swiss Franc | 258 | 258 |
| New Taiwan Dollar | 1,040 | 1,042 |
| Thailand Baht | 22 | 22 |
| Turkish Lira | 1 | 1 |
| UK British Pound | 86 | 86 |
| Total cash | <u>\$5,729</u> | <u>\$5,727</u> |

The U.S. dollar balances of the MTIP equities by currency are presented in the following table.

**MTIP
Equities by Currency**
(in thousands)

| Cash | 2009 | |
|---------------------|------------------------|-------------------|
| | Carrying Amount | Fair Value |
| Australian Dollar | \$ 30,261 | \$ 32,904 |
| Brazilian Real | 4,628 | 5,251 |
| Canadian Dollar | 31,433 | 32,035 |
| Czech Koruna | 215 | 201 |
| Danish Krone | 3,866 | 4,578 |
| Euro | 170,568 | 147,535 |
| Hong Kong Dollar | 36,060 | 39,977 |
| Indonesian Rupiah | 933 | 991 |
| Hungarian Forint | 1,167 | 847 |
| Israeli Shekel | 458 | 479 |
| Japanese Yen | 124,323 | 111,939 |
| South Korean Won | 13,108 | 13,389 |
| Malaysian Ringgit | 2,127 | 2,307 |
| Mexican Peso | 1,113 | 1,028 |
| Norwegian Krone | 6,199 | 5,254 |
| Philippine Peso | 257 | 306 |
| Polish Zloty | 1,687 | 976 |
| Singapore Dollar | 7,483 | 8,206 |
| South African Rand | 3,358 | 3,562 |
| Swedish Krona | 9,103 | 8,897 |
| Swiss Franc | 38,690 | 34,738 |
| New Taiwan Dollar | 9,613 | 9,423 |
| Thailand Baht | 2,325 | 3,075 |
| Turkish Lira | 1,331 | 1,403 |
| UK British Pound | 93,001 | 85,236 |
| Total equity | \$593,307 | \$554,537 |

D. Investments

Article VIII of Montana's Constitution, with supporting statutes, authorizes the Board of Investments (BOI) to manage the State's unified investment program. Long-term investments are administered by the following agencies, as allowed by state law, Title 17, Chapter 6, Part 201, MCA:

Long-term Investments

| Department | Percent Administered |
|--|-----------------------------|
| Board of Investments | 71.26% |
| PERA (Public Employee Retirement Administration) | 14.98 |
| Board of Housing | 7.92 |
| College Savings Plan | 4.85 |
| Montana State University/University of Montana | .01 |
| Other (1) | .98 |
| Total | 100.00% |

(1) Other consists of the Commissioner of Higher Education, the Department of Administration, the Department of Natural Resources and Conservation, the Department of Public Health and Human Services, and the Department of Revenue.

The BOI must employ the "Prudent Expert Rule" in managing the State's investment portfolio. Investments are presented at fair value. Investment fair values for publicly traded securities are determined primarily by reference to market prices supplied to the BOI's custodial bank or trustee. Amortized cost, or carrying value, represents the original cost, adjusted for premium and discount amortization where applicable.

Table 4 – Investments
(in thousands)

| | Carrying Amount | Fair Value |
|--|----------------------------|-----------------------|
| Primary government | | |
| Corporate (rated) (1) | \$ 27,890 | \$ 27,490 |
| U.S. govt direct/indirect (rated) (1) | 1,213 | 1,289 |
| U.S. govt mortgage-backed (rated) (1) | 91,064 | 95,229 |
| Govt securities | 23,090 | 21,622 |
| STIP/SIV investments | 56,960 | 56,960 |
| Other equities | 213,745 | 206,258 |
| Total | \$ 413,962 | \$ 408,848 |
| Component units/fiduciary funds | | |
| Corporate (rated) (1) | \$ 500,168 | \$ 480,058 |
| U.S. govt direct/indirect (rated) (1) | 55,509 | 57,708 |
| U.S. govt mortgage-backed (rated) (1) | 380,812 | 398,894 |
| Govt securities | 25,918 | 28,477 |
| Other equities | 274,219 | 290,913 |
| Deferred compensation | 278,822 | 278,820 |
| Defined contribution | 43,018 | 43,018 |
| College Savings Plan | 104,286 | 104,286 |
| VEBA | 953 | 803 |
| Investments of MSU component units | 112,414 | 112,414 |
| Investments of UM component units | 133,679 | 133,679 |
| Real estate | 16,981 | 17,294 |
| STIP/SIV investments | 54,082 | 54,082 |
| Total | \$1,980,861 | \$2,000,446 |
| Total investments | \$2,394,823 | \$2,409,294 |
| Securities lending collateral investment pool | \$ 209,254 | \$ 209,254 |

(1) The credit quality rating and duration are included below for the rated investments.

All Other Funds - Rated Securities
Credit Quality Rating and Effective Duration as of June 30, 2009
(in thousands)

| Security Investment Type | Fair Value | Credit Quality Rating | Effective Duration |
|-------------------------------------|-----------------------|--------------------------------------|-------------------------------|
| Corporate (1) | \$ 537,914 | A | 3.64 |
| Corporate Unrated (1) | \$ 3,000 | NR | (2.20) |
| U.S. government direct-backed (1) | 120,978 | AAA | 6.20 |
| U.S. government indirect-backed (1) | 398,775 | AAA | 3.32 |
| Total | \$1,060,667 | AA | 3.74 |

(1) These rated securities are reported on both Table 2 – Cash Equivalents and Table 4 – Investments.

The PERS Defined Contribution Retirement Plan and the deferred compensation plan's fixed assets were invested and managed on behalf of the plans by Pacific Investment Management Company (PIMCO) and State Street Bank Kansas City (SSKC). The third party record keeper, Great West Retirement Services, tracks and reports the daily trading and valuations of all investment options, including the assets held by the individual mutual fund companies. When participants invest in the fixed investment, they are guaranteed a rate of return. The PERS-DCRP fixed money is invested in a PIMCO mutual fund. The minimum average portfolio quality must be an A rating; the minimum issue quality must be a BB-rating; and the minimum commercial paper quality must be A2/P2. Variable investments are held and managed by a selection of retail and institutional mutual funds, which cover all standard asset classes and categories. VEBA (Voluntary Employee Benefit Association) investments are made in mutual fund equities and mutual fund fixed-income funds. The Montana 529 College Savings Plan is invested in Pacific Life mutual funds and College Savings Bank fixed-income products.

Investment Risk Disclosures

The investment risk disclosures are described in the following paragraphs and are identified by the specific securities to which they pertain, when applicable.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. With the exception of the U.S. government securities, the AOF (All Other Funds) fixed-income instruments have credit risk as measured by major credit rating services. This risk is that the issuer of a fixed-income security may default in making timely principal and interest payments. The Board of Investment's policy requires AOF fixed-income investments, at the time of purchase, to be rated an investment grade as defined by Moody's and/or Standard & Poor's (S&P) rating services. The U.S. government securities are guaranteed directly or indirectly by the U.S. government. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The credit ratings presented in the above table are provided by S&P's rating services. If an S&P rating is not available, a Moody's rating has been used. Credit risk reflects the bond quality rating, by investment type, as of the June 30 report date.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a

transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of June 30, 2009, all the fixed-income and other equity securities were registered in the nominee name for the Montana Board of Investments and held in the possession of the board's custodial bank, State Street Bank. The Equity Index, Real Estate, Mortgage and Loan investments are registered in the name of the Montana Board of Investments. State Street and US Bank repurchase agreements were purchased in the State of Montana Board of Investments name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. With the exception of one fund, the 19 remaining BOI investment policy statements for various state agencies do not address concentration of credit risk. One fund requires credit risk to be limited to 3 % in any one name except AAA rated issues will be limited to 6%. Investments issued or explicitly guaranteed by the U.S. government and investments by various state agencies are excluded from the concentration of credit risk requirement. As of June 30, 2009, Montana had concentration of credit risk exposure to Federal National Mortgage Association of 7.55%

This concentration of credit risk includes the rated securities from Table 2 – Cash Equivalents and Table 4 – Investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The All Other Funds' investment policies do not formally address interest rate risk. In accordance with GASB Statement 40, the board has selected the effective duration method to disclose interest rate risk.

Corporate asset-backed securities are based on cash flows from principal and interest payments on underlying auto loan receivables, credit card receivables, and other assets. These securities, while sensitive to prepayments due to interest rate changes, have less credit risk than securities not backed by pledged assets.

Interest rate risk is disclosed using effective duration. If a bond investment type is unrated, the quality type is indicated by NR (not rated). Both the credit quality ratings and duration have been calculated excluding cash equivalents. If duration has not been calculated, duration is indicated by NA (not applicable).

NOTE 4. DISAGGREGATION OF ACCOUNTS RECEIVABLE AND PAYABLE

A disaggregation of the net receivables and accounts payable (by fund type) as of June 30, 2009, follows (amounts in thousands):

A. Receivables

| Receivables | Governmental Funds | | | | | |
|--|---------------------------|------------------------------|--------------------------------|-------------------------------------|-----------------------------|------------------------------|
| | General Fund | State Special Revenue | Federal Special Revenue | Coal Severance Tax Permanent | Land Grant Permanent | Nonmajor Governmental |
| Licenses and permits | \$ 13 | \$ 3,922 | \$ - | \$ - | \$ - | \$ - |
| Taxes | 192,385 | 62,717 | - | 5,602 | - | 1,549 |
| Charges for services/ fines/forfeitures | 2,158 | 24,333 | 1,464 | - | 40,956 | - |
| Investment income | - | 5,871 | 15 | 3,881 | 4,945 | 4,683 |
| Contributions/premiums | 20 | 3,991 | - | - | - | - |
| Reimbursements/ Overpayments | 607 | - | - | - | - | - |
| Grants/contracts/ donations | - | 313 | - | - | - | - |
| Rentals/royalties | - | 13,591 | - | - | - | - |
| Other | 4,283 | 5,629 | 12,868 | - | - | 564 |
| Total receivables | 199,466 | 120,367 | 14,347 | 9,485 | 45,901 | 6,796 |
| Less: allowance for doubtful accounts | (3,996) | (9,840) | (1,183) | - | - | - |
| Receivables, net | \$195,470 | \$110,527 | \$13,164 | \$9,483 | \$45,901 | \$6,796 |

| Receivables | Proprietary Funds | | | |
|---|-------------------------------|-----------------------------------|----------------------------|-------------------------|
| | Unemployment Insurance | Economic Development Bonds | Nonmajor Enterprise | Internal Service |
| Charges for services | \$ - | \$ - | \$17,468 | \$ 244 |
| Investment income | - | 7,917 | 2 | 299 |
| Contributions/premiums | 9,678 | - | 3,102 | 6,725 |
| Sales of documents/ merchandise/property | - | - | 1,815 | - |
| Other | - | - | 1,203 | 12 |
| Total receivables | 9,678 | 7,917 | 23,590 | 7,280 |
| Less: allowance for doubtful accounts | (5,054) | - | (30) | (62) |
| Receivables, net | \$ 4,624 | \$7,917 | \$23,560 | \$7,218 |

B. Payables

| Payables | Governmental Funds | | | | | |
|---------------------|---------------------------|------------------------------|--------------------------------|-------------------------------------|-----------------------------|------------------------------|
| | General Fund | State Special Revenue | Federal Special Revenue | Coal Severance Tax Permanent | Land Grant Permanent | Nonmajor Governmental |
| Tax refunds | \$122,189 | \$ - | \$ - | \$- | \$ - | \$ - |
| Vendors/individuals | 52,612 | 80,788 | 117,286 | - | - | 9,694 |
| Payroll | 19,854 | 18,724 | 7,552 | - | - | 53 |
| Accrued interest | - | - | - | - | 4,833 | 1 |
| Other | 304 | 2,014 | 831 | - | - | 311 |
| Total | \$194,959 | \$101,526 | \$125,669 | \$- | \$4,833 | \$10,059 |

| Payables | Proprietary Funds | | | |
|---------------------|-------------------------------|-----------------------------------|----------------------------|-------------------------|
| | Unemployment Insurance | Economic Development Bonds | Nonmajor Enterprise | Internal Service |
| Vendors/individuals | \$889 | \$ - | \$10,461 | \$12,392 |
| Payroll | - | 11 | 876 | 3,073 |
| Accrued interest | - | 690 | - | 6 |
| Total | \$889 | \$701 | \$11,337 | \$15,471 |

NOTE 5. CAPITAL ASSETS**A. Primary Government**

Changes in capital asset balances for the fiscal year ended June 30, 2009, are reflected in the following table (in thousands):

Primary Government

| | Beginning Balance | Increases (1) | Decreases (1) | Ending Balance |
|--|------------------------------|----------------------|----------------------|---------------------------|
| Governmental activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 434,111 | \$ 28,717 | \$ (1,325) | \$ 461,503 |
| Construction work in progress | 207,827 | 198,152 | (181,752) | 224,227 |
| Easements (2) | 83,693 | 4,966 | - | 88,659 |
| Museum & Art (2) | 62,889 | 91,508 | (55,000) | 99,397 |
| Other (2) | 9,524 | 1,430 | (533) | 10,421 |
| Total capital assets, not being depreciated | 798,044 | 324,773 | (238,610) | 884,207 |
| Capital assets, being depreciated | | | | |
| Infrastructure | 3,686,615 | 332,526 | (189,955) | 3,829,186 |
| Land improvements | 24,815 | 3,430 | - | 28,245 |
| Buildings/improvements | 429,724 | 12,340 | (1,631) | 440,433 |
| Equipment | 298,359 | 29,920 | (13,411) | 314,868 |
| Other | 6,350 | 150 | (102) | 6,398 |
| Total capital assets, being depreciated | 4,445,863 | 378,366 | (205,099) | 4,619,130 |
| Less: accumulated depreciation for: | | | | |
| Infrastructure | (1,316,303) | (118,440) | 122,088 | (1,312,655) |
| Land improvements | (5,185) | (1,296) | - | (6,481) |
| Buildings/improvements | (211,317) | (15,584) | 1,532 | (225,369) |
| Equipment | (188,655) | (21,065) | 11,268 | (198,452) |
| Other | (3,736) | (204) | 149 | (3,791) |
| Total accumulated depreciation | (1,725,196) | (156,589) | 135,037 | (1,746,748) |
| Total capital assets, being depreciated, net | 2,720,667 | 221,777 | (70,062) | 2,872,382 |
| Intangible assets | 34,880 | 15,470 | (19,104) | 31,246 |
| Governmental activity capital assets, net | \$ 3,553,591 | \$562,020 | \$ (327,776) | \$ 3,787,835 |

(1) The increases and decreases noted above include adjustments related to prior periods and corrections of errors.

(2) For 2009, Other NonDepreciable Assets are presented in more detail.

Primary Government (continued)

| | Beginning Balance | Increases (1) | Decreases (1) | Ending Balance |
|--|------------------------------|----------------------|----------------------|---------------------------|
| Business-type activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 800 | \$ - | \$ - | \$ 800 |
| Construction work in progress | 567 | 92 | (492) | 167 |
| Total capital assets, not being depreciated | 1,367 | 92 | (491) | 967 |
| Capital assets, being depreciated | | | | |
| Infrastructure | 884 | - | - | 884 |
| Land improvements | 2,343 | 1,487 | - | 3,830 |
| Buildings/improvements | 7,331 | 13 | - | 7,344 |
| Equipment | 5,831 | 373 | (167) | 6,037 |
| Other – Livestock | - | 3,191 | - | 3,191 |
| Total capital assets, being depreciated | 16,389 | 5,064 | (166) | 21,286 |
| Less: accumulated depreciation for: | | | | |
| Infrastructure | (556) | (16) | - | (572) |
| Land/improvements | (452) | (115) | - | (567) |
| Buildings/improvements | (4,357) | (195) | - | (4,552) |
| Equipment | (3,844) | (316) | 62 | (4,098) |
| Other – Livestock | - | (53) | - | (53) |
| Total accumulated depreciation | (9,209) | (695) | 62 | (9,842) |
| Total capital assets, being depreciated, net | 7,180 | 4,369 | (105) | 11,444 |
| Intangible assets | 186 | 106 | (164) | 128 |
| Business-type activity capital assets, net | \$8,733 | \$4,567 | \$(761) | \$ 12,539 |

(1) The increases and decreases noted above include adjustments related to prior periods and corrections of errors.

Depreciation expense was charged to governmental functions as follows (in thousands):

| | Amount |
|--|------------------|
| General government | \$ 5,256 |
| Public safety/corrections | 6,371 |
| Transportation (including depreciation of the highway system maintained by the State) | 114,799 |
| Health/social services | 1,970 |
| Education/cultural | 1,852 |
| Resource/recreation/environment (including depreciation of the State's dams). | 5,600 |
| Economic development/assistance | 642 |
| Depreciation and amortization on capital assets held by the State's internal service funds is charged to the various functions based on their usage of the assets. | 12,527 |
| Total depreciation expense – governmental activities | <u>\$149,017</u> |

Depreciation expense was charged to business-type activities as follows (in thousands):

| | Amount |
|---|---------------|
| Liquor Stores | \$ 98 |
| State Lottery | 45 |
| Economic Development Bonds | 1 |
| General Government Services | 183 |
| Prison Funds | 368 |
| Total depreciation expense – business-type activities | <u>695</u> |

B. Discretely Presented Component Units

The following table summarizes net capital assets reported by the discretely presented component units (in thousands). All component units, other than higher education units, are included under the "Other" caption for this schedule:

Discretely Presented Component Units

| | Montana State University (MSU) | University of Montana (UM) | Other | Total |
|--|---|-------------------------------------|----------|------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 6,933 | \$ 7,533 | \$ 1,139 | \$ 15,605 |
| Construction work in progress | 32,925 | 62,086 | 11,790 | 106,801 |
| Capitalized collections | 8,278 | 16,827 | - | 25,105 |
| Livestock for educational purposes | 3,071 | - | - | 3,071 |
| Total capital assets, not being depreciated | 51,207 | 86,446 | 12,929 | 150,582 |
| Capital assets, being depreciated | | | | |
| Infrastructure | 34,802 | 6,759 | - | 41,561 |
| Land improvements | 15,636 | 12,884 | - | 28,520 |
| Buildings/improvements | 406,456 | 397,390 | - | 803,846 |
| Equipment | 116,128 | 58,932 | 4,940 | 180,000 |
| Other | 62,150 | 53,581 | - | 115,731 |
| Total capital assets, being depreciated | 635,172 | 529,546 | 4,940 | 1,169,658 |
| Less: accumulated depreciation | (347,734) | (289,627) | (3,992) | (641,353) |
| Total capital assets, being depreciated, net | 287,438 | 239,919 | 948 | 538,305 |
| Intangible assets | 969 | 416 | 6,032 | 7,417 |
| Capital assets (net) of MSU component units | 11,440 | - | - | 14,440 |
| Capital assets (net) of UM component units | - | 4,245 | - | 4,245 |
| Discretely presented component units | | | | |
| Total capital assets, net | \$351,054 | \$331,026 | \$19,909 | \$ 701,989 |

NOTE 6. RETIREMENT PLANS**A. General**

The Public Employees' Retirement Board (PERB), a discretely presented component unit of the State of Montana, administers eight defined benefit plans: Public Employees' Retirement System (PERS-DBRP), Judges' Retirement System (JRS), Highway Patrol Officers' Retirement System (HPORS), Sheriffs' Retirement System (SRS), Game Wardens' and Peace Officers' Retirement System (GWPORS), Municipal Police Officers' Retirement System (MPORS), Firefighters' Unified Retirement System (FURS), and Volunteer Firefighters Compensation Act (VFCA). The PERB also administers two defined contribution plans: The Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) and the Deferred Compensation Plan (IRC 457). The PERB prepares a publicly issued comprehensive annual financial report that includes financial statements and required supplementary information for PERS-DBRP, JRS, HPORS, SRS, GWPORS, MPORS, FURS, VFCA, as well as the two defined contribution plans, PERS-DCRP and Deferred Compensation plans. Separately issued financial statements can be obtained at 100 North Park, Suite 200, PO Box 200131, Helena, MT 59620-0131.

The financial statements for PERS-DBRP include activity for the defined benefit and the associated education fund. The PERS-DCRP financial statements include activity for the defined contribution and the associated education and disability funds.

The Teachers Retirement System (TRS) is a discretely presented component unit of the State of Montana and administered by the Teachers Retirement Board. The plan prepares a publicly issued comprehensive annual financial report that includes financial statements and required supplementary information for TRS. Separately issued financial statements can be obtained at 1500 Sixth Avenue, P O Box 200139, Helena, MT 59620-0319.

B. Plan Descriptions

The State contributes to and/or administers ten plans in two categories: (1) the State as the single employer; and (2) the State as an employer contributor to cost-sharing, multiple-employer plans.

The number of years required to obtain vested rights varies among the plans. All plans provide early retirement options, death benefits, termination, and disability benefits. The post-retirement benefits of each of the plans are included in the tables that follow.

The funding policies for each plan provide for periodic employer and employee contributions (except VFCA) at rates specified by state law. An actuary determines the actuarial implications of the funding requirement in an annual actuarial valuation. The actuarial method used to determine the implications of the statutory funding level is the entry-age normal-cost method, with both normal cost and amortization of the unfunded actuarial liability determined as a level percentage of payrolls. To maintain a fund on an actuarially sound basis, the rate of contributions should fund the normal cost, in addition to amortizing the unfunded liability over a period not to exceed 30 years.

C. Public Employee Defined Benefit Retirement Plans.**(1) State as the Single Employer**

A summary of government employees participating in JRS and HPORS by employer type at June 30, 2009, follows:

| Employers | JRS | HPORS |
|------------------|------------|--------------|
| State agencies | 1 | 1 |
| Total | 1 | 1 |

JRS – Judges' Retirement System – JRS is a single-employer defined benefit pension plan established in 1967 and governed by Title 19, chapters 2 & 5 of the MCA. This system provides retirement benefits for all Montana judges of district courts, justices of the Supreme Court, and the Chief Water Judge.

HPORS – Highway Patrol Officers' Retirement System – HPORS is a single-employer, defined benefit pension plan, established July 1, 1971 and governed by Title 19, chapters 2 & 6 of the Montana Code Annotated (MCA). This system provides retirement benefits for all members of the Montana Highway Patrol, including supervisory personnel. Members or their survivors may be eligible for an annual supplemental lump-sum payment distributed each September. Many factors must be considered for eligibility, including the number of years the recipient has received a service retirement or disability benefit, the recipient's age, and whether the recipient is employed in a position covered by a retirement system under Title 19. This lump-sum payment is funded by registration fees requested by the PERB from the general fund. There has not been a supplemental payment as of 6/30/2009 because of the ongoing salary negotiations between the Department of Justice and the State Office of Labor Relations Union. This enhancement is limited to non-GABA (Guaranteed Annual Benefit Adjustment) retirees.

For the funded status, and funding progress of the JRS and HPORS, plans refer to the Required Supplementary Information.

(2) State as an Employer Contributor to Cost-Sharing, Multiple-Employer Plans

A summary of government employers participating in PERS-DBRP, SRS, GWPORS, MPORS, FURS,, and TRS by employer type at June 30, 2009, follows:

| Employers | PERS-DBRP | SRS | GWPORS | MPORS | FURS | TRS |
|-----------------------|-----------|-----|--------|-------|------|-----|
| State agencies | 34 | 1 | 4 | | 1 | 8 |
| Counties | 55 | 56 | | | | |
| Cities/towns | 96 | | | 29 | 16 | |
| Rural Fire Districts | | | | | 4 | |
| Colleges/universities | 5 | | 3 | | | 5 |
| Highs School | 5 | | | | | 349 |
| School districts | 232 | | | | | |
| Other Agencies | 102 | | | | | |
| Total | 529 | 57 | 7 | 29 | 21 | 362 |

PERS-DBRP – Public Employees Retirement System - Defined Benefit Retirement Plan – PERS-DBRP is a defined benefit cost sharing, multiple-employer public retirement system established on July 1, 1945 and governed by Title 19, chapters 2 & 3 of the MCA. This plan provides retirement, disability and death benefits to substantially all public employees and their beneficiaries not covered by another public plan.

Actuarial Status: The Montana Constitution, Article VIII, Section 15, requires public retirement plans be funded on an actuarially sound basis. The statutory funding rate is tested in the valuation to determine if it is sufficient to cover the normal cost rate plus an amortization payment of the unfunded actuarial liability, if any, over no more than 30 years. As of June 30, 2009, the statutory contribution rates are not sufficient to amortize the unfunded actuarial accrued liability in 30 years or less.

SRS – Sheriffs Retirement System – This is a defined benefit cost-sharing, multiple-employer retirement system established on July 1, 1974 and governed by Title 19, chapters 2 & 7 of the MCA. The plan provides retirement benefits to all State Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and all Montana sheriffs.

Actuarial Status: The Montana Constitution, Article VIII, Section 15, requires public retirement plans be funded on actuarially sound basis. The statutory funding rate is tested in the valuation to determine if it is sufficient to cover the normal cost rate plus an amortization payment of the unfunded actuarial liability, if any, over no more than 30 years. As of June 30, 2009, the statutory contribution rates are not sufficient to amortize the unfunded actuarial accrued liability in 30 years or less.

GWPORS – Game Wardens & Peace Officers Retirement System – This is a defined benefit cost-sharing, multiple-employer retirement system established in 1963 and governed by Title 19, Chapters 2 & 8 of the MCA. The plan provides retirement benefits for all persons employed as game wardens, warden supervisory personnel, or state peace officers.

Actuarial Status: The Montana Constitution Article VIII, Section 15, requires public retirement plans be funded on an actuarially sound basis. The statutory funding rate is tested in the valuation to determine if it is sufficient to cover the normal cost rate, plus an amortization payment of the unfunded actuarial liability, if any over no more than 30 years. As of June 30, 2009, the statutory contribution rates are not sufficient to amortize the unfunded actuarial accrued liability in 30 years or less.

MPORS – Municipal Police Officers Retirement System – MPORS is a defined benefit cost-sharing, multiple-employer retirement system established in 1974 and governed by Title 19, chapters 2 & 9 of the MCA,. This plan covers all municipal police officers of first- and second-class cities and other cities that adopt the plan. It is a cost-sharing defined benefit plan with a special funding situation.

As of July 1, 2002, eligible members of MPORS have the opportunity to participate in the Deferred Retirement Option Plan (DROP) by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, chapter 9, part 12, MCA. An eligible member must have completed at least 20 years of membership service. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may participate in the DROP only once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the

member's DROP period. During the participation in the DROP, all mandatory contributions continue to be made to the retirement plan. A monthly benefit is calculated based on salary and years of service to the date of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service. The DROP account cannot be distributed until employment is formally terminated.

FURS – Firefighters Unified Retirement System – This is a defined benefit cost-sharing, multiple-employer retirement system established in 1981 and governed by Title 19, chapters 2 & 13 of the MCA. The plan provides retirement benefits for firefighters employed by first- and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard (MANG) on or after October 1, 2001.

VFCA – Volunteer Firefighters Compensation Act – This compensation plan, established in 1965 and governed by Title 19, chapters 2 & 17 of the MCA, provides pension, disability and survivorship benefits for all volunteer firefighters who are members of qualified volunteer fire companies in unincorporated areas; towns, villages and includes volunteer fire departments, fire districts, and fire service areas under the laws of the state. VFCA also provides limited benefits for death or injuries incurred in the line of duty. VFCA is a plan with a special funding situation.

TRS – Teachers Retirement System – This mandatory plan, established in 1937 and governed by Title 19, chapter 20 of the MCA, provides retirement services to all persons employed as teachers or professional staff of any public elementary or secondary school, special education cooperative, state agency, community college, or unit of the university system.

Actuarial Status: The Montana Constitution, Article VIII, Section 15, requires public retirement plans be funded on actuarially sound basis. The statutory funding rate is tested in the valuation to determine if it is sufficient to cover the normal cost rate plus an amortization payment of the unfunded actuarial liability, if any, over no more than 30 years. Based on the current actuarial value of assets and all future experience emerging as assumed, the unfunded actuarial liability will not amortize. The 2007 Legislature increased the State's General Fund contribution rate from 2.11%, to 2.49% effective July 1, 2009. The plan's actuary has determined that as of July 1, 2009, the current employer contribution rate of

7.47% plus the General Fund contribution of 2.49% of members' salaries are not sufficient to meet the actuarial cost. The unfunded actuarial accrued liability of \$1.4 billion is included in the retirement plan's schedule of funding progress.

D. Public Employee Defined Contribution Retirement Plans

A summary of government employers participating in the PERS-DCRP and Deferred Compensation plans by employer type at June 30, 2009 follows:

| Employers | PERS-DCRP | 457 |
|-----------------------|------------------|------------|
| State agencies | 31 | 1 |
| Counties | 45 | 2 |
| Cities/towns | 46 | 4 |
| Colleges/universities | 5 | 6 |
| High Schools | 3 | |
| School districts | 103 | 3 |
| Other Agencies | 38 | 3 |
| Total | 271 | 19 |

PERS-DCRP – Public Employees Retirement System - Defined Contribution Retirement Plan – This plan is a multiple-employer plan established July 1, 2002 and governed by Title 19, chapter 2 & 3 of the MCA.

All new hires initially are members of the Public Employees Retirement System - Defined Benefit Retirement Plan (PERS-DBRP). New hires have a 12-month window during which they may choose to transfer to the PERS-DCRP or remain in the current PERS-DBRP. Members may not be members of both the defined contribution and defined benefit retirement plans. The choice is irrevocable. Members of the defined contribution retirement plan direct their contributions and a portion of their employer's contributions among the offered investment options. The remaining portion of their employer's contributions is to be used to reduce the Plan Choice Rate unfunded actuarial liability, to fund the long-term disability benefits to participants of the DCRP, and to fund an employee education program. The employer and employee plan contributions as of June 30, 2009, were \$3,730,213 and \$5,723,408, respectively.

457 – Deferred Compensation Plan – The Deferred Compensation (457) plan was established in 1976 and is governed by Title 19, chapter 50, MCA, in accordance with Internal Revenue Service Code (IRC) 457. All employees of the State, the Montana University System, and contracting political subdivisions are eligible to participate.

The Deferred Compensation plan is a voluntary, supplemental retirement savings plan. Assets of the 457 Deferred Compensation plan are required to be held in

trusts, custodial accounts, or insurance company contracts for the exclusive benefit of participants and their beneficiaries. Participants elect to defer a portion of their salary, within IRC limits. The deferred salary is not available to employees until separation from service, retirement, death, or upon an unforeseeable emergency while still employed provided IRC-specified criteria are met. Participant rights are fully vested in their accounts at the time of deposit. The employer and employee plan contributions as of June 30, 2009, were \$65,226 and \$19,660,721, respectively.

E. Optional Retirement Program

ORP – Optional Retirement Program – Effective January 1, 1988 through June 30, 1993, eligible employees of the Montana University System (MUS) could elect to participate in the Optional Retirement Program (ORP). The ORP is a defined contribution retirement plan governed by Title 19, chapter 21 of the Montana Code Annotated. The plan is underwritten by the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF); only faculty and staff with contracts under the authority of the Board of Regents may participate. Those faculty and staff members, who did not elect the ORP participate in the Teachers' Retirement System or the Public Employees' Retirement System benefit plans. Beginning July 1, 1993, membership in the ORP was mandatory for eligible employees new to the MUS. The MUS is the only employer contributing to this plan.

The benefits at retirement depend upon the amount of contributions, amount of investment gains and losses, and the employee life expectancy at retirement. Under the ORP, each employee enters into an individual contract with TIAA-CREF. Individuals are immediately vested with all contributions. Higher education units record employee/employer contribution expenditures in the affected higher education sub-fund when remitting contributions to the Commissioner of Higher Education. These monies are recorded in the Custodial Accounts Agency Fund. The Commissioner's Office then wire-transfers the contributions to TIAA-CREF. The MUS is not liable for asset management or for providing benefits after the required contributions have been made to TIAA-CREF.

Required employee contributions were 7.03% of salary; required employer contributions were 5.83% of salary, for a total of 12.86% of salary contributed to the ORP (refer to the following table).

| | TIAA-CREF <i>(in thousands)</i> |
|----------------------------|---|
| Covered payroll | \$189,761 |
| Total payroll | 361,272 |
| Employer contributions | \$ 11,054 |
| Percent of covered payroll | 5.83% |
| Employee contributions | \$ 13,342 |
| Percent of covered payroll | 7.03% |

F. Summary of Significant Accounting Policies

The pension trust funds' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refund distributions are recognized when due and payable in accordance with the terms of each plan.

G. Method Used to Value Investments

The Montana Board of Investments (BOI) manages the investments for the defined benefit retirement plans. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on a discounted cash flow. Investments that do not have an established market are reported at estimated fair value. These values are based on market prices supplied to the BOI by its custodial bank, State Street Bank, and various brokerage services.

For details on investments, see Note 3, section D.

H. Long-term Contracts for Contributions

The Montana Legislature enacted a provision of the Employee Protection Act (EPA) (Title 19, Chapter 2, Part 706, MCA), related to the Employee Protection Act, allowing state and university system employees who are eligible for a service retirement and whose positions have been eliminated to have their employer pay a portion of the total cost of purchasing up to three years of "1-for -5" additional service. The employees participating under section 19-2-706, MCA increased from 183 in fiscal year 2008 to 192 in fiscal year 2009.

The employer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. Total retirement incentive contributions received, including interest, during fiscal year 2009 were \$120,782. As of June 30, 2009, outstanding balances were \$23,787.

A summary of contribution rates, funding progress, employer and employee contributions, and eligibility and benefits for each retirement plan is provided in the tables on the following pages.

The information presented in this schedule was determined as part of the actuarial valuations at the dates indicated in the table below. Additional information as of the latest actuarial valuation follows:

| Pension Plan Information Single Employer Systems | | |
|---|---|---|
| | JRS | HPORS |
| Contributions (in thousands) | | |
| Employer | \$1,347 | \$4,151 |
| Employee | 570 | 1035 |
| License and registration fees | | 286 |
| Actuarial valuation date | 6/30/2009 | 6/30/2009 |
| Actuarial cost method | Entry age | Entry age |
| Amortization method | Level percentage of payroll open | Level percentage of payroll open |
| Remaining amortization period | 30 years (1) | 21.5 years |
| Asset valuation method | 4-year smoothed market | 4-year smoothed market |
| Actuarial assumptions: | | |
| Investment rate of return | 8.0% | 8.0% |
| Projected salary increases | 4.25% | 4.25% |
| includes inflation factor | 3.25% | 3.25% |
| Merit | None | 0%-7.3% |
| Benefit adjustments | | |
| GABA | 3% after 1 year | 3% after 1 year |
| Non-GABA | Biennial increase to salary of active member in like position | 2% per year of service, not to exceed 5% for probationary officer's base salary |

(1) Assets are larger than the past service liability, creating an unfunded credit; the credit is amortized over future costs.

**Schedule of Contribution Rates
Fiscal Year 2009**

| Plan | Member | Employer | State |
|------------------|---|---|--|
| PERS-DBRP | 6.9% [19-3-315, MCA] | 7.035% State & University 6.935% Local Governments 6.8% School Districts (K-12) [19-3-316, MCA] | 0.1% Local Government payroll - paid from the General Fund [19-3-319, MCA] 0.235% School Districts (K-12) payroll – paid from the General Fund [19-3-319, MCA] |
| MPORS | 5.8% - hired on or before 6/30/1975 & not electing GABA [19-9-710(a), MCA] 7.0% - hired after 6/30/1975 & prior to 7/1/1979 & not electing GABA [19-9-710(b), MCA] 8.5% - hired after 6/30/1979 & prior to 7/1/1997 & not electing GABA [19-9-710(c), MCA] 9.0% - hired after 6/30/1997 & members electing GABA [19-9-710(d), MCA] & 19-9- 710(2), MCA] | 14.41% [19-9-703, MCA] | 29.37% of salaries - paid from the General Fund [19-9-702, MCA] |
| FURS | 9.5% - hired prior to 7/1/1997 & not electing GABA [19-13-601(2)(a), MCA] 10.7% - hired after 6/30/1997 & members electing GABA [19-13-601(2)(b), MCA] | 14.36% [19-13-605, MCA] | 32.61% of salaries - paid from the General Fund [19-13-604, MCA] |
| SRS | 9.245% [19-7-403, MCA] | 9.825% [19-7-404, MCA] | |
| HPORS | 9.0% - hired prior to 7/1/1997 & not electing GABA 9.05% - hired after 6/30/1997 & members electing GABA [19-6-402, MCA] | 26.15% [19-6-404(1), MCA] 10.18% of salaries - paid from the General Fund [19-6-404(2), MCA] | |
| JRS | 7.0% [19-5-402, MCA] | 25.81% [19-5-404, MCA] | |
| GWPORS | 10.56% [19-8-502, MCA] | 9.0% [19-8-504, MCA] | |
| VFCA | | | 5.0% of fire insurance premiums - paid from the General Fund [19-17-301, MCA] |
| PERS-DCRP | 6.9% [19-3-315, MCA] | 7.035% State & University 6.935% Local Governments 6.8% School Districts (K-12) [19-3-316, MCA] | 0.1% Local Government payroll - paid from the General Fund 0.235% School Districts (K-12) payroll – paid from the General Fund [19-3-319, MCA] |
| TRS | 7.15% [19-20-602, MCA] | 9.47% State & University [19-20-605, MCA] | 0.11% of members' salaries [19-20-604, MCA] 2.00% contribution of the total earned compensation of school district and community college active members [19-20-607, MCA] |

Pension Plan Information
Schedules of Funding Progress
(in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability(AAL) Entry Age (b) | Unfunded (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as Percentage of Covered Payroll ((b-a)/c) |
|----------------------------------|--|--|-----------------------------|--------------------------|-------------------------------------|---|
| Single Employer Systems | | | | | | |
| JRS | | | | | | |
| 6/30/2009 | 61,929 | 41,848 | (20,081) | 147.99% | 5,110 | (392.97%) |
| HPORS (1) | | | | | | |
| 6/30/2009 | 99,652 | 137,815 | 38,163 | 72.31% | 11,425 | 334.03% |
| Multiple Employer Systems | | | | | | |
| PERS-DBRP | | | | | | |
| 6/30/2009 | 4,002,212 | 4,792,819 | 790,607 | 83.50% | 1,003,215 | 78.81% |
| SRS | | | | | | |
| 6/30/2009 | 200,690 | 223,893 | 23,203 | 89.64% | 51,457 | 45.09% |
| GWPORS | | | | | | |
| 6/30/2009 | 81,177 | 92,155 | 10,978 | 88.09% | 36,023 | 30.48% |
| MPORS | | | | | | |
| 6/30/2009 | 214,345 | 345,261 | 130,916 | 62.08% | 34,687 | 377.42% |
| FURS | | | | | | |
| 6/30/2009 | 209,775 | 306,236 | 96,460 | 68.50% | 30,160 | 319.83% |
| TRS | | | | | | |
| 7/1/2009 | 2,762,200 | 4,331,000 | 1,411,600 | 66.18% | 683,200 | 206.60% |
| Nonemployer Contributor | | | | | | |
| VFCA | | | | | | |
| 6/30/2009 | 27,226 | 33,548 | 6,322 | 81.16% | N/A | N/A |

(1) The multiyear schedule of funding progress for the HPORS and JRS are presented in the Required Supplementary Information (RSI) following the notes to the financial statements.

Pension Plan Information
Schedules of Employer Contributions and Other Contributing Entities
(in thousands)

| System | Fiscal Year Ended June 30 | Annual Required Contributions | Percentage Contributed | Annual Required State Contribution | Percentage Contributed |
|--|--|--|-----------------------------------|---|-----------------------------------|
| <u>SINGLE EMPLOYER SYSTEMS:</u> | | | | | |
| JRS | 2007 | (230) | (542.23%) | | |
| | 2008 | (274) | (479.74%) | | |
| | 2009 | (381) | (353.74%) | | |
| | | | | | |
| HPORS | 2007 | 3,581 | 101.48% | 285 | 100.00% |
| | 2008 | 3,948 | 100.03% | 290 | 100.00% |
| | 2009 | 2,501 | (165.97%) | 286 | 100.00% |
| | | | | | |
| <u>MULTIPLE EMPLOYER SYSTEMS:</u> | | | | | |
| PERS-DBRP | 2007 | 60,253 | 110.41% | 446 | 100.00% |
| | 2008 | 65,425 | 110.42% | 378 | 100.00% |
| | 2009 | 95,506 | 79.39% | 357 | 100.00% |
| | | | | | |
| SRS | 2007 | 4,176 | 105.04% | | |
| | 2008 | 4,444 | 108.78% | | |
| | 2009 | 6,507 | 79.81% | | |
| | | | | | |
| GWPORS | 2007 | 2,218 | 118.94% | | |
| | 2008 | 2,541 | 117.23% | | |
| | 2009 | 3,491 | 94.31% | | |
| | | | | | |
| MPORS | 2007 | 4,258 | 100.58% | 8,679 | 100.00% |
| | 2008 | 4,637 | 111.19% | 9,452 | 100.00% |
| | 2009 | 3,455 | 146.35% | 10,186 | 100.00% |
| | | | | | |
| FURS | 2007 | 3,482 | 101.09% | 7,908 | 100.63% |
| | 2008 | 4,187 | 106.68% | 9,568 | 100.63% |
| | 2009 | 118 | 3,852.37% | 9,831 | 100.00% |
| | | | | | |
| VFCA – (Nonemployer Contributor) | 2007 | | | 1,661 | 100.00% |
| | 2008 | | | 1,562 | 100.00% |
| | 2009 | | | 1,580 | 100.00% |
| | | | | | |
| TRS | 2007 | 73,418(1) | 136.67% | | |
| | 2008 | 63,121 | 106.45% | | |
| | 2009 | 68,047 | 100.07% | | |
| | | | | | |

(1) Actual employer contribution amount includes a \$50 million one-time contribution made by the State in fiscal year 2007.

Summary of Defined Benefit Retirement Plans Provisions as of June 30, 2009

| Plan | Member's Highest Average Compensation (HAC) | Years of Service Required and/or Age Eligible for Benefit | Vesting |
|------------------|---|---|--|
| PERS-DBRP | Highest average compensation during any consecutive 36 months | Normal retirement: 30 years, any age; Age 60, 5 years of service; or Age 65, regardless of service Early retirement, actuarially reduced: Age 50, 5 years of service; or Any age, 25 years of service | 5 years membership service |
| MPORS | Hired on or after 7/1/1977 – average monthly compensation of final year of service; hired on or after 7/1/1977 – final average compensation (FAC) for last consecutive 36 months | Normal retirement 20 years, regardless of age; Early retirement : age 50, 5 years of service | 5 years membership service |
| FURS | Hired prior to 7/1/1981 and not electing GABA – highest monthly compensation (HMC); hired on or after 7/1/81 and those electing GABA – highest average compensation (HAC) during any consecutive 36 months | Normal retirement; 20 years, regardless of age; Early retirement age 50, 5 years of service | 5 years membership service |
| SRS | Highest average compensation during any consecutive 36 months | Normal retirement; 20 years regardless of age, has attained normal retirement age; Early retirement age 50, 5 years of service, actuarially reduced | 5 years membership service |
| HPORS | Highest average compensation during any consecutive 36 months | Normal retirement; 20 years of membership service regardless of age, has attained normal retirement age; Early retirement age, 5 years of membership service, actuarially reduced from age 60 | 5 years membership service |
| JRS | Hired prior to July 1, 1997 and non-GABA prior to 1/1/1988 or 12/1/2005 – monthly compensation at time of retirement; hired on or after July 1, 1997 or electing GABA prior to 1/1/1988 or 12/1/2005 – HAC during any consecutive 36 months (relates directly to monthly benefit formula) | Normal retirement Age 60, 5 years of membership service; Involuntary retirement any age with 5 years of membership service – involuntary termination, actuarially reduced | 5 years membership service |
| GWPORS | Highest average compensation during any consecutive 36 months | Normal retirement Age 50, 20 years of membership service; Early retirement age 55, 5 years of membership service | 5 years membership service |
| VFCA | | Normal retirement Age 55, 20 years of credited service (full benefit); age 60, 10 years of service (partial benefit). As of 4/25/2005 (Senate Bill 197), members may retire with greater than 20 years of service, but not more than 30 years of service. | 10 years of service credit |
| PERS-DCRP | | Termination of service | Immediate for participant's contributions and attributable income; 5 years for employer's contributions to individual accounts and attributable income |
| TRS | Final average compensation during any consecutive 3 years. | Age 60, 5 years of service, or any age with at least 25 years of service. Vested employees may retire at or after age 50 and receive reduced benefits. | 5 years of membership service |

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Summary of Defined Benefit Retirement Plans Provisions as of June 30, 2009 (continued)

| Plan | Monthly Benefit Formula | Guaranteed Annual Benefit Adjustment (GABA) | Minimum Benefit Adjustment (Non-GABA) |
|------------------|--|---|---|
| PERS-DBRP | <p>(i) If less than 25 years of membership service, the greater of (a) 1/56 of HAC multiplied by years of service credit, or (b) the actuarial equivalent of double the member's regular contributions plus interest plus the actuarial equivalent of any additional contributions plus interest.</p> <p>(ii) If 25 years of membership service or more, (a) 1/50 of HAC multiplied by years of service credit or (b) the actuarial equivalent of double the member's regular contributions plus interest plus the actuarial equivalent of any additional contributions plus interest.</p> <p>Early retirement: Normal retirement benefit calculated using HAC, and service at early retirement and reduce for each month which the retirement age precedes the earlier of age 60 or the attainment of 30 years of service by 0.5% for the first 60 months and 0.3% for the next 60 months</p> | For retired members who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to (i) 3% for members hired before July 1, 2007 and (ii) 1.5% for members hired on or after July 1, 2007. | |
| MPORS | Hired before July 1, 1977 2.5% of average monthly compensation of final year of service multiplied by years of service credit. Hired on or after July 1, 1977 2.5% of FAC multiplied by years of service credit | Hired after June 1, 1997, or those electing GABA - after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit. | If hired before July 1, 1997 and member did not elect GABA, the monthly retirement, disability or survivor's benefit may not be less than 1/2 the compensation of a newly confirmed police officer in the current fiscal year in the city or town from which the member was last employed. |
| FURS | Members hired prior to July 1, 1981 and not electing GABA are entitled to the greater of: 2.5% of HAC times year of service credit; or (1) if less than 20 years of service, 2% of HMC times year of service credit; or (2) if more than 20 years of service, 50% of the member's HMC plus years of service in excess of 20 times HMC times 2.0%. Members hired after 6/30/1981 and those electing GABA receive 2.5% of HAC per year of service credit. | For retired members who became active members on and after July 1, 1997 and those who elected to be covered under this provision and who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to 3% | For retired members who were hired prior to July 1, 1997 and who did not elect GABA, the minimum monthly benefit is provided equal to 50% of the current base compensation of a newly confirmed active firefighter of the employer that last employed the member as a firefighter. |
| SRS | 2.5% of HAC per year of service credit | For retired members who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment GABA equal to (i) 3% for members hired before July 1, 2007 and (ii) 1.5% for members hired on or after July 1, 2007. | |
| HPORS | 2.5% of HAC per year of service | For retired members who became active members on or after July 1, 1997 and those who elected to be covered under this provision and who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to 3% | <p>For retired members who were hired prior to July, 1 1997 and who did not elect GABA, the minimum monthly benefit provided is equal to 2% times service credits multiplied by the current base compensation of a probationary highway patrol officer. Such benefits may not exceed 60% of the current base compensation of a probationary highway patrol officer and the increase may not exceed 5% of the current benefit.</p> <p>For non-GABA members who retired prior to July, 1 1991, and meet eligibility</p> |

| | | | |
|------------------|---|---|---|
| | | | requirements, a lump sum payment will be made each year based on the increase in the Consumer price Index |
| JRS | 3.1/3% per year of current salary or highest average compensation for the first 15 years of service credit and 1.785% per year of the current salary or highest average compensation for serve credit over 15 years | For retired members who became active members on and after July 1, 1997 and those who elected to be covered under this provision and who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to 3% | For retired members who were hired prior to July 1, 1997, and who did not elect GABA, the current salary of an active member in the same position is used to recalculate the monthly benefits |
| GWPORS | 2.5% of HAC times year of service credit | For retired members who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to (i) 3% for members hired before July 1, 2007 and (ii) 1.5% for members hired on or after July 1, 2007 | |
| VFCA | \$7.50 per month for each year of service credit, but not exceeding 30 years. Age 55 with 20 years of service credit or age 60 with 10 years of service credit. | | |
| PERS-DCRP | Dependent upon individual account balance. Various payout options available, including taxable lump sums, periodic payments per participant direction, and IRS permitted rollovers. | | |
| TRS | 1.6667% of average final compensation (AFC) per year of service | A guaranteed annual benefit adjustment (GABA) of 1.5% is payable each January if the retiree has received at least 36 monthly retirement benefit payments prior to January 1 of the year in which the adjustment is to be made. | |

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General

The State of Montana and the Montana University System (MUS) provide optional postemployment health care benefits in accordance with Montana Code Annotated, Title 2, Chapter 18, Section, 704 to the following employees and dependents who elect to continue coverage and pay administratively established premiums: (1) employees and dependents who retire under applicable retirement provisions, and (2) surviving dependents of deceased employees. Retirement eligibility criteria differ by retirement plan (See Note 6). Medical, dental, and vision benefits are available through this plan.

In accordance with Montana Code Annotated, Title 2, Chapter 18, Section, 704, the Montana University System (MUS) provides post-retirement health insurance benefits to employees who are eligible, to receive retirement benefits from the Teachers Retirement System, the Public Employees' Retirement System, or an annuity under the Optional Retirement Plan, and have been employed by the MUS for at least five years, are age 50, or have worked 25 years with the MUS. Spouses, unmarried dependent children, and surviving spouses are also eligible.

B. Plan Description

Both the State of Montana and MUS are agent multiple employer plans. The participating employers under the State Plan are Facility Finance Authority, Housing Authority, Public Employees' Retirement System (PERS), Montana State Fund (New Fund), and Teachers' Retirement System (TRS). The participating employers under the MUS plan are Dawson Community College (Dawson CC), Flathead Valley Community College (Flathead CC), , Miles Community College (Miles CC), Montana State University – Billings (MSU-Billings), Montana State University – Bozeman (MSU-Bozeman), Montana State University – Great Falls College of Technology (MSU-GFCOT), Montana State University – Northern (MSU-Northern), University of Montana – Montana Tech (UM-MT Tech), Office of Commissioner on Higher Education (OCHE), State Bar, University of Montana – Helena College of Technology (UM-HCOT), University

of Montana – Missoula (UM-Missoula), and University of Montana – Western (UM-Western). Each participating employer is required by GASB Statement No. 43 to disclose additional information regarding funding policy, the employer's annual OPEB cost and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

Both of these plans allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of an "implied rate" subsidy in the related financial statements and footnotes. While this liability is disclosed for financial statement purposes, it does not represent a legal liability of the State or any of its component units.

Both plans are reported as agency funds. There are no assets or liabilities as only contributions collected and distributions made are reflected in these funds. See the funding policy that follows.

C. Basis of Accounting

OPEB is recorded on an accrual basis for all enterprise and internal service funds as well as component units. OPEB is recorded on a modified accrual basis for the governmental funds. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The plan document states "an employee enrolled in the State Plan who (a) is eligible to draw a state retirement benefit at the time he or she leaves active state employment; and (b) makes arrangements with the EBB (Employee Benefits Bureau) within 60 days of the date active employee coverage ends to continue post-retirement coverage, may continue with the state group on a self-pay basis, retroactive back to the date active employee coverage was lost." Therefore, the plan does not include terminated employees who have accumulated benefits but are not yet receiving them. There have been no significant changes in the number covered or the type of coverage as of June 30, 2009.

The number of state participants as of December 31, 2008 follows:

| State Plan Participants | | | | | | | |
|---|--------|----------------------------|-------------------|------|-------------------------------|-----|--------|
| Enrollment | State | Facility Finance Authority | Housing Authority | PERS | Montana State Fund (New Fund) | TRS | Total |
| Active employees | 12,445 | 3 | 20 | 34 | 282 | 16 | 12,800 |
| Retired employees, spouses, and surviving spouses (1) | 3,328 | | | | | | 3,328 |
| Total | 15,733 | 3 | 20 | 34 | 282 | 16 | 16,128 |

- (1) Due to the inability to determine, without considerable effort, the last place an employee worked before retiring, all retirees are listed as State; however, an allocation method was used based on the accrued liability and ARC for active employees by component unit for the determination of the inactive liability by component unit.

The number of MUS participants as of June 30, 2009 follows.

| MUS Plan Participants | | | | | | | | | | | |
|---|--------------|-------------|-----------|--------------|------|---------|-------------|------------|------------|-------|-------|
| Enrollment | MSU-Billings | MSU-Bozeman | MSU-GFCOT | MSU-Northern | OCHE | UM-HCOT | UM-Missoula | UM-MT Tech | UM-Western | Other | Total |
| Active employees | 488 | 2,745 | 129 | 191 | 96 | 72 | 2,280 | 395 | 178 | 304 | 6,888 |
| Retired employees, spouses, and surviving spouses | 211 | 1,101 | 26 | 98 | 31 | 28 | 821 | 176 | 97 | 90 | 2,679 |
| Total | 699 | 3,846 | 155 | 298 | 127 | 110 | 3,101 | 571 | 275 | 394 | 9,567 |

D. Funding Policy

The State of Montana and MUS pay for postemployment health care benefits on a pay-as-you-go basis. Montana Code Annotated, Title 2, Chapter 18, Part 8 gives authority for establishing and amending the funding policy to the Department of Administration.

The State plan's administratively established retiree medical premiums vary between \$182 and \$836 per month depending on the medical plan selected, family coverage, and Medicare eligibility. Administratively established dental premiums vary between \$34.10 and \$58.00 and vision premiums vary between \$7.64 and \$22.26 depending on the coverage selected.

The MUS plan's administratively established retiree medical premiums vary between \$209 and \$734 per month and are revised annually. The plan provides different coinsurance amounts depending on whether members use preferred, non-preferred, or other hospitals. After an annual \$600 deductible for most non-Medicare-eligible retirees, the MUS plan reimburses 75% for the first \$1,250 in medical claims and 100% thereafter. After a \$400 deductible for Medicare-eligible retirees, the plan reimburses 75% for the first \$1,250 in medical claims and 100% thereafter. There is an optional \$1,500 deductible plan available to retirees with a reduced

premium. After the \$1,500 annual deductible, the plan pays 75% of the first \$2,500 and 100% thereafter. The plan automatically reduces claim reimbursement for members eligible for Medicare, even if the member is not enrolled in Medicare. As of June 30, 2009, 1,543 retirees (policyholders) were enrolled in the MUS plan.

E. Annual Other Postemployment Benefit Cost and Contributions

The annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45, represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The current State's ARC of \$41.551 million is 7.99% of annual covered payroll. The State's annual covered payroll is \$665.363 million. The current MUS's ARC of \$17.332 million is 4.96% of annual covered payroll. The MUS's annual covered payroll is \$349.259 million.

There are no long-term contracts for contributions to either plan. Contributions refer to contributions made in relation to the ARC. Since the State and MUS do not fund their plans, no contributions were made.

The following table presents the OPEB cost for the year, the amount contributed, and changes in the OPEB plan for fiscal year 2009 (in thousands): Please note that the amounts in the State and MUS include some component unit portions and therefore, will not match the Statement of Net Assets.)

Annual OPEB Cost

| | State | MUS |
|---|----------|----------|
| Annual required contribution/OPEB cost | \$41,551 | \$17,332 |
| Interest on net OPEB obligation | 1,767 | 737 |
| Annual OPEB cost | 43,318 | 18,069 |
| Contributions made | - | - |
| Increase in net OPEB obligation | 43,318 | 18,069 |
| Net OPEB obligation – beginning of year | 41,551 | 17,332 |
| Net OPEB obligation – end of year | \$84,869 | \$35,401 |

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 and 2008 was as follows (in thousands):

Contribution Ratio

| | Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------|-------------------|------------------|--|---------------------|
| State | 6/30/2009 | \$41,551 | 0% | \$84,869 |
| | 6/30/2008 | \$41,551 | 0% | \$41,551 |
| MUS | 6/30/2009 | \$17,332 | 0% | \$35,401 |
| | 6/30/2008 | \$17,332 | 0% | \$17,332 |

F. Actuarial Methods and Assumptions

The State and MUS are required by GASB 45 to obtain an actuarial evaluation every other year: therefore, no actuarial evaluation was made for June 30, 2009 fiscal year. As of December 31, 2007, the State's actuarially accrued liability (AAL) for benefits was \$449.321 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$449.321 million, and the ratio of the UAAL to the covered payroll was 86.41%. The UAAL is being amortized as a level dollar amount over an open basis for 30 years.

In the December 31, 2007, actuarial valuation, the projected unit credit funding method was used for the State. The actuarial assumptions included a 4.25% discount rate and a 3.00% payroll growth rate. The projected annual healthcare cost trend rate is 7.00% for medical and 13.30% for prescription drugs, initially. Prescription drugs are reduced by decrements to a rate of 5.00% after eight years. Medical costs increase to 8.00% for the next three years. Then, these costs are reduced by decrements to a rate of 5.00% after five additional years.

As of June 30, 2009, the MUS actuarially accrued liability (AAL) for benefits was \$182.597 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$182.597 million, and the ratio of the UAAL to the covered payroll was

52.28%. The UAAL is being amortized as a level dollar amount over an open basis for 30 years.

In the June 30, 2009, actuarial valuation, the projected unit credit funding method was used for MUS. The actuarial assumptions included a 4.25% discount rate and a 3.00% payroll growth rate. The projected annual healthcare cost trend rate is 7.00% for medical and 13.30% for prescription drugs, initially. Prescription drugs are reduced by decrements to a rate of 5.00% after eight years. Medical costs increase to 8.00% for the next three years. Then, these costs are reduced by decrements to a rate of 5.00% after five additional years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations, and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Projections of benefits for financial reporting progress are based on the substantive plan (the plan as understood by the employer and the plan members), and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

G. Termination Benefits

During the year ended June 30, 2009, the State made the following termination benefit arrangements: continued coverage of group health insurance benefits for three employees provided for up to six months and retention of accrued annual vacation and sick leave balances for one employee until they obtained a permanent status or two years from termination whichever comes earlier. In determining termination benefit liability related to the continued coverage of group health insurance benefits, it was assumed that these benefits would be paid for the entire six month period. The exact rate was used to determine the benefit liability due to retaining accrued annual vacation and sick leave balances.

During the year ended June 30, 2009, Component Units of the State made the following termination benefit arrangements: continued coverage of health insurance benefits for 15 employees provided for up to six months and one-time incentive to retire payments to eight employees. To calculate the total benefit liability for the one-time incentive to retire payments, applicable taxes were added.

During the year ended June 30, 2009, the cost of termination benefits was \$14,563 and \$267,868 for the State and its Component Units, respectively.

A termination benefit of job retraining and career development programs provided by the state through the service delivery areas dislocated worker programs has not been recognized because the expected benefits are not estimable.

Additional information as of the latest actuarial valuation for the State follows:

| Other Postemployment Benefits State Agent Multiple Employer Plan | | |
|---|---|---------------|
| | Retiree/Surviving Spouse | Spouse |
| Contributions (in thousands) | | |
| Before Medicare eligibility | \$5,579 | \$1,994 |
| After Medicare eligibility | 2,211 | 1,815 |
| Actuarial valuation date | 1/1/2007 (ARC calculated through December 31, 2007) | |
| Actuarial cost method | Projected unit credit funding | |
| Amortization method | Level percent of payroll, open | |
| Remaining amortization period | 30 years | |
| Asset valuation method | Not applicable since no assets meet the definition of plan assets under GASB 43 or 45 | |
| Actuarial assumptions: | | |
| Discount rate | 4.25% | |
| Projected payroll increases | 3.00% | |
| Participation | | |
| Future retirees | 47% | |
| Future eligible spouses | 60% | |
| Marital status at retirement | 71.80% | |

Additional information as of the latest actuarial valuation for MUS follows:

| Other Postemployment Benefits MUS Agent Multiple Employer Plan | | |
|---|---|---------------|
| | Retiree/Surviving Spouse | Spouse |
| Contributions (in thousands) | | |
| Before Medicare eligibility | \$5,671 | \$1,515 |
| After Medicare eligibility | 2,961 | 1,186 |
| Actuarial valuation date | 7/1/2007 | |
| Actuarial cost method | Projected unit credit funding | |
| Amortization method | Level percent of payroll, open | |
| Remaining amortization period | 30 years | |
| Asset valuation method | Not applicable since no assets meet the definition of plan assets under GASB 43 or 45 | |
| Actuarial assumptions: | | |
| Discount rate | 4.25% | |
| Projected payroll increases | 3.00% | |
| Participation | | |
| Future retirees | 45% | |
| Future eligible spouses | 59% | |
| Marital status at retirement | 59.00% | |

NOTE 8. RISK MANAGEMENT

There are three primary government public entity risk pools and one claims-servicing pool that are reported within the enterprise fund. These pools include Hail Insurance, the Montana University System (MUS) Group Benefits Plan, the MUS Workers Compensation funds, and the Subsequent Injury claims-servicing pool. The two component unit pools include Montana State Fund (New Fund) and Montana State Fund (Old Fund). Unpaid claims and claim adjustment expenses are estimated based on the ultimate cost of settling the claims including the effects of inflation and other societal/economic factors. The primary government reports its own risk management activity within two internal service funds: Group Employees Comprehensive Medical and Dental Plan and Property and Casualty Insurance Plans. In all of these funds, there are no significant reductions in insurance coverage from the prior year, nor any insurance settlements exceeding insurance coverage for the last three years. These funds use the accrual basis of accounting. By statute, these funds cannot invest in common stock, except for the Montana State Funds' funds. Investments are recorded at fair value. Premiums and discounts are amortized using the straight-line method over the life of the securities.

A. Public Entity Risk Pools

(1) Hail Insurance – Any Montana producer engaged in growing crops subject to destruction or damage by hail may participate in the Hail Insurance program. The Hail Insurance program issued 1,996 policies during the 2009 growing season. This fund accounts for premium assessments paid by producers for crop acreage insured, investment and interest earnings, administrative costs, and claims paid for hail damage. Depending upon the actuarial soundness of the reserve fund and the damage in a season, producers may receive a premium refund. Anticipated investment income is considered in computing a premium deficiency, of which there is none.

A claim must be submitted to the State Board of Hail Insurance within 14 days of a loss occurrence. The claim must indicate whether the grain is stemming, in the boot, heading out, in the milk, in the stiff dough, ready to bind, or combine. If beans, peas, or other crops are damaged, the growth-stage must also be indicated. Inspection of a crop will occur as promptly as possible after claim receipt. The liability on all insured crops expires after October 1. The insurance only covers loss or damage to growing grain that exceeds 5% destruction by hail.

The fund recorded a liability of \$353,611 based on estimated claims through June 30, 2009. Any crop insurance liability is paid to producers within one year of occurrence; therefore, liabilities are not discounted. The fund has no excess insurance, reinsurance, or annuity contracts.

(2) Montana University System (MUS) Group Benefits Plan – This plan was authorized by the Board of Regents to provide medical, dental, and vision insurance coverage to employees of the Montana University System and the State Bar of Montana, as well as their dependents, retirees, and COBRA members. The MUS Group Benefits Plan is fully self-insured, except for life insurance, long-term disability, accidental death and dismemberment, long-term care, and vision insurance. Allegiance Benefit Plan Management is the claims administrator for the self-insured indemnity plan and a managed care plan. New West Health Services, Blue Cross/Blue Shield of Montana, and Peak administer claims for the three other managed care plans. Star Point has a contract for utilization management; the utilization management program consists of hospital pre-authorization and medical necessity review. Premiums are collected from employees through payroll deductions and recorded in the MUS Group Insurance Enterprise Fund. The claims liability is calculated by Mercer Consultants and estimated to be \$6,900,000 as of June 30, 2009, based on prior year experience. A liability is reported in the accompanying financial statements for these estimated claims.

(3) Montana University System (MUS) Workers Compensation Program – This fund was formed to provide self-insured workers compensation coverage for employees of the Montana University System. The Montana University System Board of Regents provides workers compensation coverage under Compensation Plan Number One (Title 39, Chapter 71, Part 2101, MCA). The program is self-insured for workers compensation claims to a maximum of \$500,000 per each occurrence. Losses in excess of \$500,000 are covered by reinsurance with a commercial carrier. Employer's liability claims are covered to a maximum of \$1,000,000 above the self-insured amount of \$500,000. During fiscal year 2009, the program ceded \$240,712 in premiums to reinsurers.

Premium rates for all participating employees are based on rates established by the MUS Workers Compensation Program Committee. Premium rates are adjusted periodically based on inflation, claims experience, and other factors. Premiums are recorded as revenue in the MUS Workers Compensation Program in the period for which coverage is provided. Members may be subject to supplemental assessments in the event of deficiencies. The program considers

anticipated investment income in determining if a premium deficiency exists.

The fund recorded a liability of \$7,733,000 for estimated claims at June 30, 2009. The liability is based on the estimated ultimate cost of settling the reported and unreported claims, and claims reserve development including the effects of inflation and other societal and economic factors. Estimated amounts of subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Estimated claims liabilities are recomputed periodically based on current review of claims information, experience with similar claims, and other factors. Adjustments to estimated claims liabilities are recorded as an increase or decrease in claims expense in the period the adjustments are made.

(4) Subsequent Injury – This fund provides benefits to certified disabled workers who are subsequently injured on the job and entitled to benefits under the Workers Compensation Act at the time of the subsequent injury. The liability of the insurer for payment of compensation benefits is limited to 104 weeks of benefits actually paid. This fund will reimburse the insurer for all benefits paid after this 104-week time period.

Workers compensation insurance premium experience modification factors are influenced only by the two-year limitation. This fund provides employers with a potential incentive for hiring a person with a certified disability.

This fund makes no provision for insured events of the current year. All Montana insurers are annually assessed a percentage of their paid losses sufficient to cover paid losses reimbursed from the fund in the preceding fiscal year and the expenses of administration, less other income. An estimated liability is recorded based on a projected cost analysis total population of registered Subsequent Injury Fund participants. As of June 30, 2009, the amount of this liability was estimated to be \$3,068,282. Since each insurer is responsible for its own claim liabilities, the pool is acting as a claims service and there is no transfer or pooling of risk.

(5) State Fund (New Fund) – This fund provides liability coverage to employers for injured employees who are insured under the Workers Compensation and Occupational Disease Acts of Montana and workers compensation claims occurring on or after July 1, 1990, are reported in the New Fund. The New Fund is a self-supporting, competitive State fund, and functions as the guaranteed market. At June 30, 2009, approximately 26,398 employers were insured with the New Fund. Anticipated investment income is considered for computing a premium deficiency, and employers must

pay premiums to the New Fund within specified time frames.

An actuarial study prepared by Towers Perrin, as of June 30, 2009, estimated the cost of settling claims that have been reported, but not settled; and claims that have been incurred, but not reported. Because actual claim costs depend on such complex factors as inflation and changes in the law, claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and societal factors.

A provision for inflation is implicit in the calculation of estimated future claim costs because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. As of June 30, 2009, \$813,304,712 of unpaid claims and claim adjustment expenses were presented at face value. When the New Fund purchases annuity contracts, the claim is settled in full and on a final basis, and all liability of the New Fund is terminated.

Acquisition costs represent costs associated with the acquisition of new insurance contracts or renewal of existing contracts and include agent commissions and expenses incurred in the underwriting process. New Fund acquisition costs are capitalized and amortized ratably over the subsequent year. The amount of capitalized acquisition costs for the fiscal year ended June 30, 2009, was \$4,638,094. For the fiscal year ended June 30, 2009, \$5,091,054 of acquisition costs was amortized.

MCA 39-71-2330 requires the New Fund set premiums at least annually at a level sufficient to insure adequate funding of the insurance program during the period the rates will be in effect. It also requires the New Fund to establish a minimum surplus above risk-based capital requirements to secure the New Fund against risks inherent in the business of insurance.

For the fiscal year ended June 30, 2009, the New Fund ceded premiums to other reinsurance companies to limit the exposure arising from large losses. These arrangements consist of excess of loss contracts that protect against individual occurrences over stipulated amounts, and an aggregate stop loss contract which protects the New Fund against the potential that aggregate losses will exceed expected levels expressed as a percentage of premium. The excess of loss contracts provide coverage of \$95 million for fiscal year 2009. During fiscal year 2009, the New Fund retained the first \$5 million for the first layer of reinsurance coverage. Individual, per person coverage was provided up to \$5 million per any one individual loss for fiscal year 2009.

The term of the current aggregate stop loss contract was July 1, 2008 through June 30, 2011. The contract provides coverage based on the New Fund's premium levels at a maximum of \$45 million per year and a minimum of \$36.6 million, but in aggregate not to exceed 100.0% of the sum of the annual limits for all contract years. In the event reinsurers are unable to meet their obligations, under either the excess of loss contracts or the aggregate stop loss contract, the New fund would remain liable for all losses, as the reinsurance agreements do not discharge the New Fund from its primary liability to the policyholders.

Premium revenue was reduced by premiums paid for reinsurance coverage of \$13.7 million in fiscal year 2009.

Estimated claim reserves were reduced by \$7.3 million for fiscal year 2009 for the amount of reinsurance estimated to be ultimately recoverable on incurred losses due to the excessive loss reinsurance contract. In fiscal year 2009, estimated claim reserves were reduced by an additional \$10.7 million for the amount of reinsurance estimated to be ultimately recoverable on incurred losses due the aggregate stop loss contract.

(6) State Fund (Old Fund) – The liability and payment of workers compensation claims for incidents occurring before July 1, 1990, are reported in the Old Fund.

An actuarial study prepared by Towers Perrin, as of June 30, 2009, estimated the cost of settling claims that have been reported, but not settled; and claims that have been incurred, but not reported. At June 30, 2009, \$79,162,697 of unpaid claims and claim adjustment expenses was reported at a net present value of \$65,574,542, discounted at a 3.5% rate.

(7) Changes in Claims Liabilities for the Past Two Years – As indicated above, these funds establish liabilities for both reported and unreported insured events including estimates of future payments of losses and related claim adjustment expenses. The following tables present changes (in thousands) in those aggregate liabilities during the past two years. All information in these tables is presented at face value and has not been discounted.

| | Primary Government | | | | | |
|---|---------------------------|-------------|---------------------------|-------------|---|-------------|
| | Hail Insurance | | MUS Group Benefits | | MUS Workers Compensation Program | |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Unpaid claims and claim adjustment expenses at beginning of year | \$ 3,475 | \$ 519 | \$6,500 | \$ 6,250 | \$6,357 | \$ 5,503 |
| Incurred claims and claim adjustment expenses: | | | | | | |
| provision for insured events of the current year | 2,601 | 5,435 | 60,296 | 54,564 | 2,922 | 2,693 |
| Increase (decrease) in provision for Insured events of prior years | (2,009) | 4,259 | - | - | 22 | (181) |
| Total incurred claims and claim adjustment expenses | 592 | 9,694 | 60,296 | 54,564 | 2,944 | 2,512 |
| Payments: | | | | | | |
| Claims and claim adjustment expenses attributable to insured events of the current year | (2,248) | (1,960) | (59,896) | (54,314) | (641) | (433) |
| Claims and claim adjustment expenses attributable to insured events of prior years | (1,465) | (4,778) | - | - | (927) | (1,225) |
| Total payments | (3,713) | (6,738) | (59,896) | (54,314) | (1,568) | (1,658) |
| Total unpaid claims and claim adjustment expenses at end of year | \$ 354 | \$ 3,475 | \$ 6,900 | \$ 6,500 | \$ 7,733 | \$ 6,357 |

| | Component Units | | | |
|---|---------------------------------|-------------|---------------------------------|-------------|
| | Montana State Fund (New) | | Montana State Fund (Old) | |
| | 2009 | 2008 | 2009 | 2008 |
| Unpaid claims and claim adjustments expenses at beginning of year | \$752,253 | \$ 679,209 | \$ 86,733 | \$ 98,233 |
| Incurred claims and claim adjustment expenses: | | | | |
| Provision for insured events of the current year | 151,964 | 195,325 | - | - |
| Increase (decrease) in provision for insured events of prior years | 30,842 | 17,612 | 3,171 | (212) |
| Total incurred claims and claim adjustment expenses | 182,807 | 212,937 | 3,171 | (212) |
| Payments: | | | | |
| Claims and claim adjustment expenses attributable to insured events of the current year | (28,062) | (35,773) | - | - |
| Claims and claim adjustment expenses attributable to insured events of prior years | (93,693) | (104,120) | (10,741) | (11,288) |
| Total payments | (121,755) | (139,893) | (10,741) | ((11,288) |
| Total unpaid claims and claim adjustment expenses at end of year | \$ 813,305 | \$ 752,253 | \$79,163 | \$ 86,733 |

(8) Risk Management Trend Information – The following tables only present risk management trend information for the State Fund (New Fund) and the MUS Workers Compensation Insurance. Both funds have a three to five-year development cycle contemplated by GASB Statement 10. The State Fund (Old Fund) does not charge a premium for its services. The Hail Insurance Fund pays claims within a calendar year cycle that parallels the growing season from spring planting to fall harvesting; therefore, it has no three to five-year development cycle. The MUS Group Benefits Fund pays claims within the calendar year, and the plan limits the timing for submission of claims; therefore, it has no three to five-year development cycle. State statute limits the payment of claims and the collection of premiums (and penalties) for the Subsequent Injury Fund from any developmental cycle.

The tables illustrate how the earned revenues (net of reinsurance) of the funds and their investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the funds as of the end of the fiscal year (in thousands). Section 3

shows the funds' incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred. Section 4 shows the cumulative amounts paid as of the end of successive years for each policy year. Section 6 shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. Section 7 compares the latest re-estimated incurred claims amount to the amount originally established (Section 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. This table will be revised as data for successive policy years develops.

| | MUS Workers Compensation Program | | | | | |
|---|--|---------|----------|-------------|-----------|---------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| 1. Premiums and investment revenue | | | | | | |
| Earned | \$2,425 | \$3,048 | \$3,709 | \$4,392 | \$4,997 | \$5,171 |
| Ceded | (151) | (197) | (199) | (238) | (220) | (241) |
| Net earned | \$2,274 | \$2,851 | \$3,510 | \$4,154 | \$4,777 | \$4,930 |
| 2. Unallocated expenses including overhead | | | | | | |
| | \$ 227 | \$ 280 | \$ 264 | \$ 259 | \$ 387 | \$ 461 |
| 3. Estimated losses and expenses end of accident year | | | | | | |
| Incurred | \$2,174 | \$2,366 | \$2,453 | \$2,600 | \$2,693 | \$2,922 |
| Ceded | - | - | - | - | - | - |
| Net incurred | \$2,174 | \$2,366 | \$2,453 | \$2,600 | \$2,693 | \$2,922 |
| 4. Net paid (cumulative) as of: | | | | | | |
| End of policy year | \$ 552 | \$ 382 | \$ 391 | \$ 368 | 469 | 641 |
| One year later | 1,020 | 1,002 | 910 | 933 | 1,100 | |
| Two years later | 1,124 | 1,228 | 1,254 | 1,093 | | |
| Three years later | 1,148 | 1,526 | 1,351 | | | |
| Four years later | 1,165 | 1,555 | | | | |
| Five years later | 1,210 | | | | | |
| 5. Re-estimated ceded losses and expenses | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 6. Re-estimated net incurred losses and expense: | | | | | | |
| End of policy year | \$2,174 | \$2,366 | \$2,453 | \$2,600 | \$2,693 | \$2,922 |
| One year later | 2,174 | 2,565 | 2,267 | 2,293 | 2,687 | |
| Two years later | 2,037 | 2,459 | 2,510 | 2,412 | | |
| Three years later | 1,830 | 2,602 | 2,471 | | | |
| Four years later | 1,570 | 2,622 | | | | |
| Five years later | 1,499 | | | | | |
| 7. Increase (decrease) in estimated net incurred losses and expenses from end of policy year | | | | | | |
| | \$ (675) | \$ 256 | \$18,000 | \$(188,000) | \$(6,459) | \$- |

(State Fund (New Fund) Table presented on next page)

Montana State Fund (New Fund)

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|----------|-----------|-----------|-----------|----------|----------|----------|---------|------------|---------|
| 1. Premiums and investment revenue | | | | | | | | | | |
| Earned | 94,625 | 112,233 | 119,627 | 156,955 | 164,859 | 222,882 | 242,394 | 278,813 | 258,693 | 223,420 |
| Ceded | 855 | 2,952 | (465) | 5,654 | 6,563 | 6,788 | 13,618 | 14,856 | 14,676 | 13,702 |
| Net earned | 93,770 | 109,282 | 120,092 | 151,301 | 158,297 | 216,095 | 228,776 | 263,957 | 244,017 | 209,718 |
| 2. Unallocated expenses including overhead | 21,649 | 26,188 | 28,713 | 31,548 | 37,569 | 39,078 | 40,548 | 41,947 | 47,778 | 49,215 |
| 3. Estimated losses and expenses end of accident year | 65,957 | 68,267 | 81,560 | 110,153 | 120,705 | 134,290 | 155,057 | 170,652 | 177,100 | 159,229 |
| Incurred | - | - | - | - | - | - | - | - | - | - |
| Ceded | - | - | - | - | - | - | - | - | - | - |
| Net incurred | 65,957 | 68,267 | 81,560 | 110,153 | 120,705 | 134,290 | 155,057 | 170,652 | 177,100 | 159,229 |
| 4. Net paid (cumulative) as of: | | | | | | | | | | |
| End of policy year | 13,177 | 14,140 | 16,693 | 22,982 | 26,123 | 25,721 | 30,977 | 32,708 | 31,002 | 29,009 |
| One year later | 29,218 | 32,888 | 38,185 | 48,861 | 50,888 | 57,239 | 66,063 | 67,928 | 67,034 | |
| Two years later | 37,555 | 45,218 | 52,359 | 63,773 | 66,140 | 72,229 | 84,014 | 85,646 | | |
| Three years later | 43,649 | 55,248 | 60,029 | 72,957 | 74,697 | 82,647 | 94,091 | | | |
| Four years later | 48,322 | 61,846 | 64,922 | 79,060 | 80,233 | 88,236 | | | | |
| Five years later | 52,027 | 66,031 | 68,343 | 84,340 | 83,788 | | | | | |
| Six years later | 54,473 | 69,553 | 71,566 | 88,645 | - | | | | | |
| Seven years later | 57,077 | 72,367 | 74,253 | - | - | | | | | |
| Eight years later | 59,228 | 75,269 | - | - | - | | | | | |
| Nine years later | 60,690 | - | - | - | - | | | | | |
| 5. Re-estimated ceded losses and expenses | - | - | - | 8,600 | 2,138 | - | - | - | - | - |
| 6. Re-estimated net incurred losses and expense: | | | | | | | | | | |
| End of policy year | 65,957 | 68,267 | 81,560 | 110,153 | 120,705 | 134,290 | 155,057 | 170,652 | 177,100 | 159,229 |
| One year later | 66,421 | 71,094 | 86,799 | 110,532 | 112,609 | 136,235 | 157,711 | 171,783 | 174,279 | - |
| Two years later | 66,662 | 81,053 | 91,241 | 112,443 | 124,413 | 138,447 | 163,433 | 170,786 | - | - |
| Three years later | 70,302 | 88,157 | 94,615 | 117,245 | 127,827 | 144,484 | 164,358 | - | - | - |
| Four years later | 72,492 | 92,329 | 99,755 | 115,414 | 129,051 | 143,820 | - | - | - | - |
| Five years later | 73,423 | 95,727 | 100,925 | 119,976 | 127,702 | - | - | - | - | - |
| Six years later | 76,048 | 98,124 | 105,651 | 121,686 | - | - | - | - | - | - |
| Seven years later | 77,930 | 102,847 | 104,874 | - | - | - | - | - | - | - |
| Eight years later | 80,680 | 103,475 | - | - | - | - | - | - | - | - |
| Nine years later | 81,400 | - | - | - | - | - | - | - | - | - |
| 7. Increase (decrease) in estimated net incurred losses and expenses from end of policy year | \$15,444 | \$ 35,208 | \$ 23,314 | \$ 11,533 | \$ 6,997 | \$ 9,530 | \$ 9,301 | \$ 134 | \$ (2,821) | \$ - |

B. Entities Other Than Pools

(1) Employee Group Benefits – The medical and dental health plans provided by the State are fully self-insured with the State assuming the risk for claims incurred by employees of the State, elected officials, retirees, former employees covered by COBRA benefits, and their dependents. The State contracts with Blue Cross/Blue Shield, PEAK, New West, and CVS Caremark for administration of its self-insured plans. Premiums are collected through payroll deductions, deductions through the Public Employees Retirement Administration, the Legislative Branch, and self-payments, and are recorded as revenue in the Employee Group Benefits Internal Service Fund. At June 30, 2009, estimates for claims liabilities, which include both incurred but not reported claims and grandfathered claims resulting from a 1998 change in period for which the benefit coverage is available, as well as other actuarially determined liabilities, were \$13,650,000 based on a formula provided by Actuaries Northwest, a consulting actuarial firm, of which \$11,875,500 is estimated to be paid in fiscal year 2010.

(2) Administration Insurance Plans – This self-insurance plan provides coverage for general liability, automobile liability, automobile physical damage, foster care liability, and state-administered foreclosure of housing units. The State self-insures the \$250,000 deductible per occurrence for most property insurance, as well as various deductible amounts for other state property. The State also self-insures against losses of property below \$250,000 of value, with state agencies paying the first \$1,000. Commercial property insurance protects approximately \$4.4 billion of state-owned buildings and contents. The State's property insurance includes separate earthquake and flood protection coverage, with deductibles of \$500,000 for earthquake and \$500,000 for flood per occurrence. Premiums are collected from all state agencies, including component units, and recorded as revenue in the Administration Insurance Internal Service Fund.

An annual actuarial study, prepared by Towers Perrin Company, and issued for the accident period July 1, 1999 through June 30, 2009, is the basis for estimating the liability for unpaid claims and is supported by historical loss data. The June 30, 2009, estimated claims liability was \$14,956,151.

(3) Changes in Claims Liabilities for the Past Two Years – These funds establish liabilities for both reported and incurred, but not reported, claims. The following table presents changes in the balances of claims liabilities during the past two fiscal years (in thousands):

| | Group Employees Benefits | | Administration Insurance | |
|--|-------------------------------------|-------------|-------------------------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| Amount of claims liabilities at the beginning of each fiscal year | \$ 10,100 | \$ 12,508 | \$16,498 | \$15,121 |
| Incurring claims: | | | | |
| Provision for insured events of the current year | 112,776 | 101,540 | 5,548 | 6,271 |
| Increases (decreases) in provision for insured events of prior years | 3,550 | (2,408) | 1,182 | 5,869 |
| Total incurred claims | 116,326 | 99,132 | 6,730 | 12,140 |
| Payments: | | | | |
| Claims attributable to insured events of the current year | (98,115) | (88,340) | (1,483) | (1,462) |
| Claims attributable to insured events of prior years | (14,661) | (13,200) | (6,789) | (9,301) |
| Total payments | (112,776) | (101,540) | (8,272) | (10,763) |
| Total claims liability at end of each fiscal year | \$ 13,650 | \$ 10,100 | \$14,956 | \$16,498 |

NOTE 9. COMMITMENTS**A. Highway Construction**

At June 30, 2009, the Department of Transportation had contractual commitments of approximately \$255.8 million for construction of various highway projects. Funding for these highway projects is to be provided from federal grants and matching state special revenue funds.

B. Capital Construction

At June 30, 2009, the Department of Administration, Architecture & Engineering Division, had commitments of approximately \$46.4 million for capital projects construction. The primary government will fund \$36.1 million of these projects, with the remaining \$10.3 million coming from the Montana University System.

C. Coal Tax Loan and Mortgage Commitments

The Board of Investments (BOI) makes firm commitments to fund loans from the Coal Severance Tax Permanent Trust Fund. These commitments have expiration dates and may be extended according to BOI policies. As of June 30, 2009, the BOI had committed, but not yet purchased, \$22,760,363 in loans from Montana lenders. In addition to the above commitments, lenders had reserved \$26,207,197 for loans as of June 30, 2009.

The BOI makes reservations to fund mortgages from the Public Employees and Teachers retirement funds. As of June 30, 2009, the BOI had mortgage reservations/commitments totaling \$214,625.

D. Proprietary Fund Commitments

Budgets are administratively established in the enterprise and internal service funds, excluding depreciation, compensated absences, and bad debt expense. Appropriations may be committed for goods/services that are not received as of fiscal year-end. These executory commitments are included in unrestricted net assets in the accompanying financial statements as follows (in thousands):

| | <u>Amount</u> |
|--------------------------------------|-----------------------|
| <u>Enterprise funds</u> | |
| State Lottery | \$ 158 |
| Other Enterprise Funds | 78 |
| Liquor Warehouse | 61 |
| Housing Authority | 42 |
| Subtotal-Enterprise funds | <u>\$ 339</u> |
| <u>Internal service funds</u> | |
| Highway Equipment | \$ 1,637 |
| Buildings & Grounds | 204 |
| Information Technology Services | 170 |
| Administration Payroll Processing | 67 |
| Motor Pool | 48 |
| DEQ Indirect Cost Pool | 27 |
| Administration Supply | 23 |
| Administration Central Services | 20 |
| Commerce Central Services | 17 |
| Administration Insurance | 10 |
| Justice Legal Services | 5 |
| Other Internal Services | 4 |
| FWP Equipment | 4 |
| Print & Mail Services | 1 |
| SABHRS Finance & Budget Bureau | 1 |
| Subtotal-Internal service funds | <u>\$2,238</u> |
| Total | <u><u>\$2,577</u></u> |

NOTE 10. LEASES/INSTALLMENT PURCHASES PAYABLE

The State has entered into various capital and operating leases for land, buildings, equipment, and computer software. Lease contracts are required by law to contain a clause indicating continuation of the lease is subject to funding by the Legislature. It is expected, in the normal course of operations, that most of these leases will be replaced by similar leases.

A. Capital Leases/Installment Purchases

Obligations under capital leases/installment purchases at June 30, 2009, were as follows (in thousands):

| Fiscal Year Ending June 30 | Primary Government - Governmental Activities | Discretely Presented Component Units |
|---|---|---|
| 2010 | \$ 1,016 | \$252 |
| 2011 | 822 | 120 |
| 2012 | 741 | 73 |
| 2013 | 243 | 17 |
| 2014 | 23 | - |
| Total minimum pmts | 2,845 | 462 |
| Less: interest | (165) | (47) |
| Present value of minimum payments | <u>\$2,680</u> | <u>\$415</u> |

Assets acquired under capital leases for the primary government by asset class were as follows (in thousands):

| Asset Class | Primary Government |
|--------------------------|-------------------------------|
| Buildings | \$641 |
| Equipment | 3,112 |
| Less: Accum Depreciation | (1,018) |
| Net Book Value | <u>\$2,735</u> |

B. Operating Leases

Primary government rental payments for operating leases in fiscal year 2009 totaled \$19,950,000. Future rental payments under operating leases are as follows (in thousands):

| Fiscal Year Ending June 30 | Primary Government | Discretely Presented Component Units |
|---------------------------------------|-------------------------------|---|
| 2010 | \$19,834 | \$ 3,630 |
| 2011 | 16,450 | 2,522 |
| 2012 | 13,043 | 2,260 |
| 2013 | 11,593 | 2,225 |
| 2014 | 10,273 | 2,173 |
| 2015-2019 | 33,946 | 10,569 |
| 2020-2024 | 14,842 | 506 |
| Thereafter | 5,669 | - |
| Total future rental payments | <u>\$125,650</u> | <u>\$23,885</u> |

NOTE 11. STATE DEBT**A. General Information**

The State has no constitutional limit on its power to issue obligations or incur debt, other than a provision that no debt may be created to cover deficits incurred because appropriations exceeded anticipated revenues. No state debt shall be created unless authorized by a two-thirds vote of the members of each house of the legislature or a majority of the electors voting thereon. The Board of Examiners (consisting of the Governor, Secretary of State, and Attorney General) is authorized, pursuant to various enabling acts, to issue bonds and notes of the State.

B. Short-term Debt

The Board of Examiners, upon recommendation of the Department of Administration, may issue notes in anticipation of the receipt of taxes and revenues. No notes may be issued to refund outstanding notes.

The State issued three revenue anticipation notes during fiscal year 2009 pertaining to drinking water and wastewater. The revenue anticipation notes were issued to match Environmental Protection Agency capitalization grants. The proceeds were used to loan funds to local governments, to construct and rehabilitate drinking water and wastewater systems. The following schedule summarizes the activity for the year ended June 30, 2009 (in thousands):

| | Beginning Balance | Additions | Reductions | Ending Balance |
|------------------------|--------------------------|------------------|-------------------|-----------------------|
| RANs | | | | |
| Drinking Water - 2008 | \$650 | \$ 0 | \$650 | \$ 0 |
| Drinking Water – 2008F | 0 | 700 | 700 | 0 |
| Drinking Water – 2009B | 0 | 1,900 | 0 | 1,900 |
| Waste Water – 2009C | 0 | 500 | 0 | 500 |

The Board of Investments (BOI) of the State of Montana is authorized to issue Intermediate Term Capital (INTERCAP) bonds under the Municipal Finance Consolidation Act. These bonds may not aggregate more than \$190 million as amended by the 2007 Legislature. The purpose of the bonds is to provide funds for the BOI to make loans to eligible government units. The bonds are limited obligations of the BOI, payable solely from (1) repayments of principal and interest on loans made by the BOI to participating eligible governmental units, (2) investment income under the indenture, and (3) an irrevocable pledge by the BOI. The BOI has no taxing power. Bondholders may elect to have their bonds purchased by the trustee on March 1 of each year until maturity. These issues are considered to be demand bonds and are included in short-term debt. The amounts issued and outstanding at June 30, 2009, were as follows (in thousands):

| Series | Amount Issued | Balance June 30, 2009 |
|---------------|----------------------|------------------------------|
| 1995 | 7,500 | 4,295 |
| 1997 | 10,000 | 9,415 |
| 1998 | 12,500 | 12,055 |
| 2000 | 15,000 | 14,750 |
| 2003 | 15,000 | 14,735 |
| 2004 | 18,500 | 18,370 |
| 2007 | 15,000 | 15,000 |
| Total | | <u>\$88,620</u> |

The following schedule summarizes the activity relating to the demand bonds during the year ended June 30, 2009 (in thousands):

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--------------|--------------------------|------------------|-------------------|-----------------------|
| Demand bonds | \$98,045 | \$- | \$9,425 | \$88,620 |

C. Long-term Debt

The full faith, credit, and taxing powers of the State are pledged for the payment of all general obligation debt. Revenue and mortgage bonds are secured by a pledge from the facilities to which they relate and by certain other revenues, fees, and assets of the State and the various colleges and universities. Primary government bonds and notes outstanding at June 30, 2009, were as follows (in thousands):

| Governmental Activities | Series | Amount Issued | Interest Range (%) (1) | Principal Payments | | Balance June 30, 2009 |
|-----------------------------------|--------|------------------|---------------------------|---------------------|----------------------------|--------------------------|
| | | | | Fiscal Year 2010 | In Year of Maturity (2) | |
| General obligation bonds | | | | | | |
| Wastewater Treatment Works | | | | | | |
| Revolving Fund (3) | 1998A | \$ 3,510 | 3.75-5.15 | \$ 170 | 195 (2013) | \$ 735 |
| Long-Range Bldg Program | 1998B | 34,545 | 4.2-5.1 | 1,765 | 1,765 (2010) | 1,765 |
| Long-Range Bldg Program Refunding | 1998D | 14,855 | 4.4-5.0 | 1,350 | 1,720 (2015) | 9,160 |
| Drinking Water Revolving Fund (3) | 1998F | 3,065 | 3.6-4.85 | 155 | 230 (2019) | 1,900 |
| Drinking Water Revolving Fund (3) | 2000A | 2,990 | 4.25-5.6 | 130 | 240 (2021) | 2,145 |
| Water Pollution Control Revolving | | | | | | |
| Fund (3) | 2000B | 3,325 | 4.25-5.6 | 145 | 270 (2021) | 2,395 |
| Long-Range Bldg Program | 2000C | 17,195 | 5.0-5.55 | 760 | 800 (2011) | 1,560 |
| Long-Range Bldg Program | 2001B | 11,430 | 4.1-5.75 | 490 | 830 (2021) | 7,705 |
| Information Technology | 2001C | 1,600 | 3.85-4.2 | 175 | 185 (2011) | 360 |
| Energy Conservation Program (5) | 2001D | 1,250 | 3.85-4.2 | 140 | 145 (2011) | 285 |
| Drinking Water Revolving Fund (3) | 2001G | 3,190 | 4.0-5.0 | 140 | 235 (2022) | 2,365 |
| Water Pollution Control Revolving | | | | | | |
| Fund (3) | 2001H | 2,690 | 4.0-5.0 | 115 | 200 (2022) | 1,985 |
| Long-Range Bldg Program | 2002B | 10,475 | 3.35-4.7 | 475 | 730 (2023) | 7,960 |
| Hard Rock Mining Reclamation | 2002C | 2,500 | 3.5-4.7 | 100 | 200 (2023) | 2,000 |
| Long-Range Bldg Program Refunding | 2002D | 15,805 | 2.5-3.7 | 1,450 | 1,685 (2014) | 7,820 |
| Long-Range Bldg Program | 2003A | 9,730 | 2.37-4.0 | 435 | 655 (2024) | 7,770 |
| Energy Conservation Program (5) | 2003B | 1,250 | 2.0-3.0 | 125 | 145 (2014) | 675 |
| Renewable Resource Program | | | | | | |
| Refunding (4) | 2003C | 1,970 | 1.45-5.25 | 60 | 90 (2019) | 745 |
| Water Pollution Control Revolving | | | | | | |
| Fund (3) | 2003D | 2,730 | 2.0-3.1 | 170 | 190 (2014) | 900 |
| Drinking Water Revolving Fund (3) | 2003E | 1,675 | 2.0-3.1 | 105 | 115 (2014) | 545 |
| Long-Range Bldg Program Refunding | 2003G | 26,610 | 2.0-5.0 | 2,105 | 2,310 (2017) | 16,425 |
| Information Technology Refunding | 2003H | 8,725 | 2.0-4.0 | 2,225 | 2,225 (2010) | 2,225 |
| Water Pollution Control Revolving | | | | | | |
| Fund (3) | 2004A | 2,665 | 2.0-3.8 | 160 | 185 (2015) | 1,030 |
| Long-Range Bldg Program | 2004B | 3,125 | 3.0-4.75 | 170 | 170 (2025) | 2,505 |
| Long-Range Bldg Program Refunding | 2005A | 14,945 | 3.0-5.25 | 1,255 | 1,205 (2019) | 14,455 |
| Long-Range Bldg Program | 2005B | 1,670 | 3.25-4.3 | 65 | 120 (2026) | 1,500 |
| Energy Conservation Program (5) | 2005C | 2,500 | 3.25-4.0 | 240 | 290 (2016) | 1,840 |
| CERCLA Program (6) | 2005D | 2,000 | 3.25-4.3 | 80 | 140 (2026) | 1,795 |
| Drinking Water Revolving Fund (3) | 2005F | 3,875 | 4.0-4.75 | 215 | 350 (2021) | 3,305 |
| Water Pollution Control Revolving | | | | | | |
| Fund (3) | 2005G | 2,110 | 4.0-4.75 | 120 | 190 (2021) | 1,795 |
| Long-Range Bldg Program Refunding | 2005H | 10,055 | 3.0-5.0 | 50 | 1,300 (2020) | 9,800 |
| Long-Range Bldg Program | 2006A | 31,350 | 4.0-5.0 | 1,355 | 1,930 (2027) | 29,045 |
| Energy Conservation Program (5) | 2006B | 3,750 | 4.0-6.0 | 200 | 330 (2022) | 3,410 |
| CERCLA Program (6) | 2006C | 1,000 | 4.0 | 90 | 120 (2017) | 835 |
| Renewable Resource Program (4) | 2006D | 950 | 5.6-6.0 | 45 | 90 (2022) | 870 |
| Long-Range Bldg Program Refunding | 2007A | 16,740 | 4.25-5.0 | - | 2,465 (2018) | 16,740 |
| Long-Range Bldg Program | 2007D | 11,720 | 4.375-4.75 | 410 | 3,865 (2028) | 11,340 |
| Long-Range Bldg Program | 2009D | 3,100 | 3.375-4.35 | 110 | 220 (2028) | 2,895 |
| Total general obligation bonds | | \$292,670 | | \$17,350 | | \$182,585 |
| Special revenue bonds | | | | | | |
| State Hospital Project (7) | 1997 | \$ 25,915 | 4.0-5.05 | \$ 1,015 | 1,820 (2022) | \$ 17,945 |
| Renewable Resource Program (8) | 1997B | 2,660 | 3.75-5.37 | 135 | 170 (2014) | 760 |
| Renewable Resource Program (8) | 2001A | 420 | 3.65-5.59 | 20 | 30 (2021) | 295 |
| Renewable Resource Program (8) | 2001B | 1,750 | 5.2-7.1 | 75 | 150 (2021) | 1,300 |
| Renewable Resource Program | 2001C | 12,155 | 2.55-4.3 | 685 | 790 (2013) | 2,950 |

| Governmental Activities | Series | Amount Issued | Interest Range (%) (1) | Principal Payments | | Balance June 30, 2009 |
|---|--------|------------------|------------------------|--------------------|-------------------------|-----------------------|
| | | | | Fiscal Year 2010 | In Year of Maturity (2) | |
| Refunding (8) | | | | | | |
| Broadwater Power Proj Refunding (8) | 2001D | 21,450 | 2.25-4.7 | 1,240 | 1,795 (2018) | 13,645 |
| Renewable Resource Program (8) | 2001E | 885 | 2.1-4.85 | 40 | 65 (2022) | 650 |
| Renewable Resource Program (8) | 2001F | 900 | 3.3-6.2 | 35 | 75 (2022) | 690 |
| Developmental Center Project Refunding (7) | 2003 | 11,510 | 3.0-5.0 | 665 | 970 (2019) | 8,030 |
| Renewable Resource Program (8) | 2003A | 3,000 | 1.05-4.05 | 125 | 215 (2024) | 2,430 |
| Renewable Resource Program (8) | 2004B | 430 | 4.45-5.45 | 25 | 40 (2020) | 345 |
| U.S. Highway 93 GARVEES (9) | 2005 | 122,795 | 3.65-5.19 | 7,000 | 11,315 (2020) | 98,645 |
| U.S. Highway 93 GARVEES (9) | 2009 | 44,670 | 3.5-5.0 | 2,340 | 3,925 (2023) | 42,285 |
| Total special revenue bonds | | <u>\$248,540</u> | | <u>\$13,400</u> | | <u>\$189,970</u> |
| Notes payable | | | | | | |
| Water Conservation (Little Dry Project) (10) | | \$ 50 | 5.0 | \$ 3 | 1 (2012) | \$ 6 |
| Water Conservation (Petrolia Project) (10) | | 50 | 5.0 | 2 | 2 (2016) | 16 |
| Middle Creek Dam Project (11) | | 3,272 | 8.125 | 54 | 209 (2034) | 2,640 |
| Tongue River Dam Project (12) | | 11,300 | - | 290 | 290 (2038) | 8,403 |
| Total notes payable | | <u>\$ 14,672</u> | | <u>\$ 349</u> | | <u>\$ 11,065</u> |
| Subtotal governmental activities, before deferred balances | | | | | | 383,620 |
| Deferred amount on refunding | | | | | | (3,569) |
| Unamortized discount | | | | | | (107) |
| Unamortized premium | | | | | | 8,324 |
| Total governmental activities | | <u>\$555,882</u> | | <u>\$31,099</u> | | <u>\$388,268</u> |
| Business-type Activities | | | | | | |
| Bonds/notes payable | | | | | | |
| <u>Economic Development Bonds (13)</u> | | | | | | |
| Municipal Finance Consolidation Act Bonds (Irrigation Program) (14) | 1988 | \$ 4,976 | 6.60-7.75 | \$ 50 | 70 (2014) | \$ 300 |
| Conservation Reserve Enhancement Program (CRP Bonds) (15) | | 880 | 6.0-7.50 | 286 | 98 (2014) | 880 |
| Total bonds/notes payable | | <u>5,856</u> | | <u>336</u> | | <u>1,180</u> |
| Total business-type activities | | <u>\$ 5,856</u> | | <u>\$ 336</u> | | <u>\$ 1,180</u> |

(1) The interest range is over the life of the obligation.

(2) Year of maturity refers to fiscal year.

(3) These bonds provide matching funds to enable the State to obtain capitalization grants from the U.S Environmental Protection Agency for water system development loans to state political subdivisions.

(4) The general obligation Renewable Resource Program Bonds are secured additionally by a pledge of, and payable from, certain coal severance taxes. The bonds are also secured by a pledge of loan repayments from loans made from the bond proceeds.

(5) Bonds issued for financing the design, construction, and installation of energy conservation projects at various state buildings.

(6) The CERCLA (Comprehensive Environmental Response, Compensation, and Liability Act) Program Bonds were issued for the purpose of financing the costs of State of Montana participation in the remedial actions under Section 104 of the CERCLA 42 United States Code Sections 9601-9657, and State of Montana costs for maintenance of sites under CERCLA. The CERCLA Bonds are secured additionally by a pledge of monies received by the State as cost recovery payments and revenues derived from the resource indemnity and groundwater assessment tax in the event cost recovery payments are insufficient.

(7) Facility Finance Authority loan to the Department of Public Health and Human Services for the Montana Developmental Center Project and the Montana State Hospital Project.

(8) Issued by the Department of Natural Resources and Conservation and backed by a pledge of coal severance taxes and project revenues.

- (9) The U.S. Highway 93 GARVEES (Grant Anticipation Revenue Vehicles) Bonds were issued for the purpose of improving a 44.8-mile stretch of U.S. Highway 93. Repayment of the bonds is secured by a pledge of certain federal aid revenues.
- (10) Loans obtained from Farmers Home Administration for the purpose of acquiring an irrigation (pumping) system for water distribution in the vicinity of Sidney, Montana (Little Dry Project) and to rehabilitate the Petrolia Reservoir and Canal in the vicinity of Winnett, Montana (Petrolia Project). A portion of the revenues generated by the facilities is pledged for repayment of the loans. In the fiscal year 2004 CAFR, the Little Dry Project Loan was incorrectly listed as a special revenue bond and the Petrolia Project Loan was incorrectly excluded from the long-term debt reported.
- (11) U.S. Bureau of Reclamation loan to Montana Department of Natural Resources & Conservation.
- (12) Northern Cheyenne Tribe loan to the Montana Department of Natural Resources & Conservation. The loan will not accrue interest and will be repaid over 39 years. Loan repayment is secured by the issuance of a coal severance tax bond to the tribe.
- (13) Economic Development Bonds & Municipal Finance Consolidation Act Bonds – This program is directed by the Board of Investments, which is attached to the Department of Commerce for administrative purposes. The program assists Montana's small businesses and local governments in obtaining low-cost financing.
- (14) These bonds were issued to obtain funds for the Board of Investments, State of Montana, to purchase the refunding bonds of participating Irrigation Districts for the purpose of prepaying the U.S. Department of Interior, Bureau of Reclamation Projects Loans. The Irrigation Bonds, and the interest thereon, are payable solely from the collection of a special tax or assessment, which is a lien against real property in the Irrigation District. The Irrigation Bonds are limited obligations of the Board of Investments, due to an irrevocable pledge to lend money for deposit by the trustee of the Irrigation District Pooled Loan Program Reserve Account E in an amount equal to any deficiencies therein, on any payment date. The indenture does not permit the issuance of additional bonds.
- (15) The Conservation Reserve Enhancement Program is funded by the Montana Trust Funds Bond Pool.

D. Debt Service Requirements

Primary government debt service requirements at June 30, 2009, were as follows (in thousands):

Governmental Activities

| Year Ended June 30 | General Obligation Bonds | | Special Revenue Bonds | | Notes Payable | |
|-----------------------|--------------------------|-----------|-----------------------|-----------|---------------|----------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2010 | \$ 17,350 | \$ 7,585 | \$ 13,400 | \$ 8,857 | \$ 349 | \$ 44 |
| 2011 | 15,285 | 6,915 | 14,030 | 8,278 | 351 | 43 |
| 2012 | 15,575 | 6,300 | 14,645 | 7,656 | 352 | 42 |
| 2013 | 16,195 | 5,661 | 15,310 | 7,005 | 353 | 41 |
| 2014 | 16,620 | 4,982 | 15,175 | 6,330 | 355 | 40 |
| 2015-2019 | 63,760 | 15,288 | 84,505 | 20,294 | 1,864 | 181 |
| 2020-2024 | 26,890 | 5,024 | 32,905 | 3,041 | 1,951 | 145 |
| 2025-2029 | 10,910 | 1,083 | - | - | 2,070 | 102 |
| 2030-2034 | - | - | - | - | 2,261 | 49 |
| 2035-2039 | - | - | - | - | 1,159 | 2 |
| Total | \$182,585 | \$ 52,838 | \$189,970 | \$ 61,461 | \$ 11,065 | \$ 689 |

Business-type Activities

| Year Ended June 30 | Economic Development Bonds | |
|-----------------------|----------------------------|----------|
| | Principal | Interest |
| 2010 | \$ 336 | \$80 |
| 2011 | 296 | 56 |
| 2012 | 305 | 36 |
| 2013 | 173 | 15 |
| 2014 | 70 | 3 |
| Total | \$1,180 | \$190 |

Debt service requirements of discretely presented component units at June 30, 2009, were as follows (in thousands):

| Year Ended June 30 | Housing Authority | | Montana State University | | University of Montana | |
|-----------------------|-------------------|-----------|--------------------------|----------|-----------------------|----------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2010 | \$ 14,065 | \$ 43,056 | \$ 3,722 | \$ 5,774 | \$ 5,813 | \$ 6,678 |
| 2011 | 14,835 | 42,453 | 3,722 | 5,790 | 5,642 | 6,440 |
| 2012 | 15,380 | 41,803 | 3,869 | 5,761 | 5,876 | 6,223 |
| 2013 | 16,665 | 41,114 | 5,774 | 3,920 | 6,135 | 5,958 |
| 2014 | 17,890 | 40,341 | 5,955 | 3,693 | 6,419 | 5,663 |
| 2015-2019 | 105,695 | 188,044 | 33,345 | 14,681 | 36,187 | 23,646 |
| 2020-2024 | 140,890 | 158,448 | 28,495 | 7,280 | 46,435 | 13,181 |
| 2025-2029 | 185,595 | 117,364 | 12,290 | 3,815 | 18,800 | 3,211 |
| 2030-2034 | 200,745 | 66,851 | 12,885 | 1,814 | 5,720 | 557 |
| 2035-2039 | 136,298 | 19,239 | 4,505 | 96 | - | - |
| 2040-2044 | 16,020 | 1,563 | - | - | - | - |
| Total | \$864,078 | \$760,276 | \$114,562 | \$52,624 | \$137,027 | \$71,557 |

E. Summary of Changes in Long-term Liabilities Payable

Primary government long-term liability activity for the year ended June 30, 2009, was as follows (in thousands):

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year | Amounts Due In More Than One Year |
|---------------------------------------|----------------------|-----------|------------|-------------------|-----------------------------------|--|
| Governmental activities | | | | | | |
| Bonds/notes payable | | | | | | |
| General obligation bonds | \$201,560 | \$ - | \$ 18,975 | \$182,585 | \$17,350 | \$165,235 |
| Special revenue bonds | 204,365 | - | 14,395 | 189,970 | 13,400 | 176,570 |
| Notes payable | 11,411 | - | 346 | 11,065 | 349 | 10,716 |
| | 417,336 | - | 33,716 | 383,620 | 31,099 | 352,521 |
| Deferred amount on refunding | (4,149) | 579 | - | (3,570) | - | (3,570) |
| Unamortized discount | (119) | 12 | - | (107) | - | (107) |
| Unamortized premium | 9,635 | 0 | 1,311 | 8,324 | - | 8,324 |
| Total bonds/notes payable | 422,703 | 591 | 35,027 | 388,267 | 31,099 | 357,168 |
| Other liabilities | | | | | | |
| Lease/installment purchase payable | 1,421 | 2,070 | 811 | 2,680 | 1,016 | 1,664 |
| Compensated absences payable (1) | 91,124 | 55,340 | 51,163 | 95,301 | 51,164 | 44,137 |
| Early retirement benefits payable (1) | 44 | - | 20 | 24 | 5 | 19 |
| Arbitrage rebate tax payable (1) | 320 | - | 90 | 230 | 1 | 229 |
| Estimated insurance claims (1) | 26,598 | 3,550 | 1,542 | 28,606 | 17,527 | 11,079 |
| Pollution Remediation | - | 495,495 | - | 495,495 | 36,704 | 458,791 |
| OPEB implicit rate subsidy (2) | 40,029 | 42,779 | - | 82,808 | - | 82,808 |
| Total other liabilities | 159,536 | 599,234 | 53,626 | 705,144 | 106,417 | 598,727 |
| Total governmental activities | | | | | | |
| Long-term liabilities | \$582,239 | \$599,825 | \$88,653 | \$1,093,411 | \$137,516 | \$955,895 |
| Business-type activities | | | | | | |
| Bonds/notes payable | | | | | | |
| Economic Development Bonds | \$ 1,853 | \$ - | \$ 673 | \$ 1,180 | \$ 336 | \$ 844 |
| Total bonds/notes payable | 1,853 | - | 673 | 1,180 | 336 | 844 |
| Other liabilities | | | | | | |
| Compensated absences payable | 1,540 | 734 | 760 | 1,514 | 760 | 755 |
| Arbitrage rebate tax payable | 39 | - | 20 | 19 | 19 | - |
| Estimated insurance claims | 19,892 | 1,776 | 3,613 | 18,055 | 9,098 | 8,956 |
| OPEB implicit rate subsidy (2) | 713 | 766 | - | 1,479 | - | 1,479 |
| Total other liabilities | 22,184 | 3,276 | 4,393 | 21,067 | 9,877 | 11,190 |
| Total business-type activities | | | | | | |
| Long-term liabilities | \$ 24,037 | \$ 3,276 | \$ 5,066 | \$ 22,247 | \$10,213 | \$ 12,034 |

- (1) The compensated absences liability attributable to the governmental activities will be liquidated by several of the governmental and internal service funds. The early retirement benefits payable will be liquidated by the general, state special revenue, and federal special revenue funds. The arbitrage rebate tax payable will be liquidated by debt service funds. The Employee Group Benefits and Administration Insurance internal service funds will liquidate the estimated insurance claims liability.
- (2) The OPEB plan allows retirees to participate, as a group, at a rate that does not cover all the related costs. This results in the reporting of an "implicit rate" subsidy in the related financial statements. While this liability is disclosed for financial purposes, it does not represent a legal liability of the State, or any of its component units.

Long-term liability activity of discretely presented component units for the year ended June 30, 2009, was as follows (in thousands):

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year | Amounts Due In More Than One Year |
|--|----------------------|------------------|------------------|--------------------|-----------------------------------|--|
| Discretely presented component units | | | | | | |
| Bonds/notes payable | | | | | | |
| Housing Authority | \$ 946,911 | \$ 34,054 | \$ 108,554 | \$ 872,411 | \$ 14,065 | \$ 858,346 |
| Montana State University (MSU) | 123,660 | 95 | 4,715 | 119,040 | 5,261 | 113,779 |
| University of Montana (UM) | 140,476 | 266 | 5,725 | 135,017 | 5,813 | 129,204 |
| Total bonds/notes payable (1) | 1,211,047 | 34,415 | 118,994 | 1,126,468 | 25,139 | 1,101,329 |
| Other liabilities | | | | | | |
| Lease/installment purch pay | 668 | - | 254 | 414 | 222 | 192 |
| Compensated absences pay | 50,209 | 27,180 | 23,093 | 54,296 | 25,640 | 28,656 |
| Arbitrage rebate tax payable | 877 | 184 | 333 | 728 | 72 | 656 |
| Estimated insurance claims | 820,688 | 185,978 | 127,787 | 878,879 | 148,960 | 729,919 |
| Due to federal government | 31,786 | 238 | - | 32,024 | - | 32,024 |
| Other | 2,095 | - | - | 2,095 | - | 2,095 |
| OPEB implicit rate subsidy (2) | 17,226 | 17,958 | - | 35,184 | - | 35,184 |
| Total other liabilities | 923,549 | 231,538 | 151,467 | 1,003,620 | 174,894 | 828,726 |
| | <u>\$2,134,596</u> | <u>\$265,953</u> | <u>\$270,461</u> | <u>\$2,130,088</u> | <u>\$200,033</u> | <u>\$1,930,055</u> |
| Long-term liabilities of Montana University System component units | | | | | 254 | 614 |
| Total discretely presented component units | | | | | <u>\$200,287</u> | <u>\$1,930,669</u> |
| Long-term liabilities | | | | | | |

(1) When applicable, this amount includes deferred refunding costs, unamortized discounts, and unamortized premiums.

(2) The OPEB plan allows retirees to participate, as a group, at a rate that does not cover all the related costs. This results in the reporting of an "implicit rate" subsidy in the related financial statements. While this liability is disclosed for financial purposes, it does not represent a legal liability of the State, or any of its component units.

F. Refunded and Early Retired Debt

Primary Government

Pre-payments

During fiscal year 2009, the Department of Natural Resources and Conservation (DNRC) used current available resources to make the following pre-payments on outstanding bonds: \$375,000 of general obligation Series 2001E; \$1,395,000 of general obligation Series 1998A, and \$780,000 of special revenue Series 1997B.

DNRC also used current available resources to make the following payments which resulted in the bonds being paid in full: \$290,000 of general obligation Series 2001E; \$115,000 of special revenue Series 1997A and \$500,000 of special revenue Series 2004A.

Defeased Debt Outstanding

The State of Montana has defeased certain general obligation and special revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the

financial statements. At June 30, 2009, \$61,045,000 of bonds outstanding was considered defeased.

Universities

Defeased Debt Outstanding

Montana State University and the University of Montana have defeased certain bond issues by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2009, \$445,000 and \$46,579,503 of bonds outstanding were considered defeased for Montana State University and the University of Montana, respectively.

G. No-Commitment Debt

Information is presented below for financing authorities participating in debt issues. The State has no obligation for this debt. Accordingly, these bonds and notes are not reflected in the accompanying financial statements.

Primary Government

Montana Board of Investments (BOI)

Under the Economic Development Act, the BOI is authorized to issue stand-alone industrial revenue bonds to finance projects for qualifying borrowers. Assets and revenues of the borrower are pledged to repay the bonds. At June 30, 2009, industrial revenue bonds outstanding aggregated \$180.1 million.

The BOI is also authorized to issue Qualified Zone Academy Bonds (QZAB) under the Municipal Finance Consolidation Act. The revenues, and in some cases, the taxing power of the borrower are pledged to repay the bonds. At June 30, 2009, QZAB debt outstanding aggregated \$10.1 million.

Neither the industrial revenue bonds nor the QZAB debt issued by the BOI constitutes a debt, liability, obligation, or pledge of faith and credit of the State of Montana.

Beginning Farm Loan Program

The Montana Department of Agriculture is authorized to request issuance of bonds by the BOI to finance projects for beginning farmers within the State, if it appears, after a properly noticed public hearing, that the project is in the public interest of the State. These non-recourse, industrial development revenue bonds do not constitute a debt, liability, or obligation of the State of Montana. The amount issued and outstanding at June 30, 2009, was as follows: Hershberger Project – issued \$129,412, outstanding \$104,329; Young Project – issued \$223,300, outstanding \$193,742.

Discretely Presented Component Units

Facility Finance Authority (FFA)

The FFA is authorized to issue bonds and notes to finance projects for qualifying health care and other community-based service providers. The revenue bonds are payable solely from loan repayments to be made by eligible facilities pursuant to loan agreements, and further, from the funds created by the indentures and investment earnings thereon. The notes are payable solely from loan repayments pursuant to loan agreements. The revenue bonds and notes payable issued by the FFA do not constitute a debt, liability, obligation, or pledge of faith and credit of the State of Montana. At June 30, 2009, revenue bonds outstanding aggregated \$870.3 million, and notes payable outstanding aggregated \$7.1 million.

The BOI and the FFA have entered into a capital reserve account agreement for certain bond issues. See Note 16.C (Miscellaneous Contingencies) for more information.

Housing Authority (HA)

The HA is authorized to issue bonds and make mortgage loans in order to finance housing which will

provide decent, safe, and sanitary housing for persons and families of lower income in the State of Montana. The bonds are special, limited obligations, payable solely from pledged revenues and assets, not general obligations of the HA. The bonds issued by the HA do not constitute a debt, liability, obligation, or pledge of faith and credit of the State of Montana. At June 30, 2009, bonds outstanding aggregated \$10,159,678.

H. Derivative Transactions Related to Long-term Debt

Interest Rate Exchange Agreements

In March 2005, Montana State University (MSU) entered into a forward-starting interest rate swap agreement (“swaption”) with Deutsche Bank AG (“DBAG”). The notional amount of the swap as of June 30, 2009, was \$24,975,000, and equaled MSU’s Revenue Bonds Series J 2005 bond principal outstanding. The instrument was intended to synthetically fix the Series J 2005 bonds issued July 21, 2005, from a variable rate to an intended rate of 3.953%.

The Series J bonds are the only bond issuance with variable rate exposure. Because of general market conditions related to subprime mortgage concerns and more specifically, because the insurer of the Series J Bonds, Ambac, was downgraded, auctions of MSU’s Series J bonds began to fail during the year ended June 30, 2008, resulting in the application of a “penalty rate” (as opposed to a market rate).

On September 11, 2008, MSU remarketed its Series J bonds in the Variable Rate Demand market, to reduce the then-negative basis difference and restore liquidity to its bondholders. The swap with DBAG remained unchanged, with the rate received from DBAG at the SIFMA weekly index; however, the rate paid to bondholders is now at the daily reset rate. This arrangement still contains basis risk, although now based on weekly versus daily rates of the same variable rate demand market.

DBAG has the option to unwind the swap in 2016, exposing MSU to rollover risk for the Series J bonds’ remaining term. If the swaption is not exercised in 2016, the swap terminates in November, 2035, at which time the Series J 2005 bonds mature.

At June 30, 2009, the negative fair value of the swap was (\$2,743,679). Such value was provided to MSU by an independent valuation firm, and is calculated using mid-market levels as of the close of business on June 30.

In August 2005, the University of Montana (UM) entered into a forward SWAP agreement (“swaption”) with Wachovia Bank, NA (“counterparty”) to hedge the interest rate risk associated with the potential future

issuance of variable-rate revenue bonds. The swaption gives the counterparty the right to require that UM execute a floating-to-fixed swap in May 2010, based on a notional amount of \$47,000,000. Should the counterparty exercise its option, UM would expect to issue Series K 2010 taxable, variable-rate bonds at the \$47,000,000 notional amount of the swap. The intention of UM in entering into the swaption was to refund its outstanding Series F 1999 Revenue Bonds and lower the cost of its borrowing.

The counterparty has the right to exercise the swap on May 15, 2010, the call date of the Series F 1999 Revenue Bonds. If the swaption is exercised, it will also become effective on May 15, 2010. Under terms of the swap, UM will pay the counterparty a fixed rate substantially equal to the fixed rate on the refunded bonds, and receive a variable payment based on the one-month LIBOR rate, plus 30 basis points.

Once the refunded Series F 1999 Revenue Bonds escrow matures in 2019, the floating-rate Series K 2010 Parity Bonds will be converted to tax-exempt bonds, and the swap will convert to tax-exempt rates as well. Should the option to enter the swap not be exercised by the counterparty, UM would not be required to repay the swaption purchase price.

At June 30, 2009, the swaption has a negative fair value of (\$5,652,978). On December 21, 2009, UM terminated the forward swaption with the counterparty due to projected unfavorable long-term interest rates and current volatility in the financial markets. In order to liquidate the derivative financial instrument amounting to \$2,094,500 and terminate the swaption agreement in its entirety, UM paid the counterparty \$5,410,000 resulting in a net loss totaling \$3,315,500.

Constant Maturity Swap

In July 2006, MSU entered into a forward-starting basis swap agreement ("constant maturity swap") with Morgan Stanley Capital Services, Inc. ("Morgan Stanley"). The agreement took effect November 15, 2007, at a notional amount of \$25,250,000, decreasing to \$1,550,000 by November 15, 2034, at which time the instrument expires.

At June 30, 2009, the fair value of the constant maturity swap was \$870,319. Such value was provided to the university by an independent valuation firm, and was calculated using mid-market levels as of the close of business on June 30.

I. Estimated Pollution Remediation Obligation

Estimated pollution remediation obligations are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site

assessments and cleanups. The estimates were derived using the expected cash flows method as well as technical estimates from record of decisions, consent decrees and/or settlement agreements. Factors influencing the estimates are not known at this time. Prospective recoveries from other responsible parties may reduce the State's obligation. No recoveries were recorded in 2009.

The State's estimated pollution remediation liability as of July 1, 2008 was estimated at \$308.8 million. The liability as of June 30, 2009 was \$495.5 million. Of this liability; \$256.3 million resulted in settlement agreements to provide restoration of natural resources, water supplies and natural resource-based recreational opportunities up to the settlement amount; \$225.4 million is based on decrees or settlements for remediation activities. Other estimated liabilities have been recorded for soil and PCB contamination. The estimated pollution remediation liability was recorded in compliance with accounting and reporting standards and does not constitute Montana's total acceptance of the liability or responsibility on these matters.

In addition to the estimated pollution remediation liabilities recorded in the financial statements, Montana has other potential liabilities related to four sites that are in various stages of litigation or investigation that are not reasonably estimable at this time.

NOTE 12. INTERFUND BALANCES AND TRANSFERS

A. Balances Due From/To Other Funds

Balances due from/to other funds arise when there is a time lag between the dates that reimbursable expenditures and interfund services provided/used are recorded in the accounting system, and the dates on which payments are made. Balances also arise when there is a time lag between the dates that transfers between funds are recorded, and the dates on which payments are made. Balances due from/to other funds also include the current portion of balances related to amounts loaned by the Economic Development Bonds Fund to other funds, under the Board of Investments INTERCAP loan program. Balances due from/to other funds are expected to be repaid within one year from the date of the financial statements.

Balances due from/to other funds at June 30, 2009, consisted of the following (in thousands):

| | Due To Other Funds | | | | | |
|-----------------------------|---------------------------------------|----------------------------------|-------------------------------|-----------------|------------------------------|---------------------------------|
| | Coal Severance Tax Permanent | Economic Development Bonds | Federal Special Revenue | General Fund | Internal Service Funds | Nonmajor Enterprise Funds |
| Due From Other Funds | | | | | | |
| Economic Development Bonds | \$ - | \$ - | \$ - | \$ - | \$2,022 | \$ - |
| Federal Special Revenue | - | - | - | 364 | - | 2 |
| General Fund | 4,629 | 1 | 563 | - | 231 | 16,574 |
| Internal Service Funds | 22 | 1 | 1,436 | 2,510 | 595 | 179 |
| Nonmajor Enterprise Funds | - | - | 6 | 516 | 24 | - |
| Nonmajor Governmental Funds | - | - | 61 | 831 | 332 | - |
| State Special Revenue | 513 | - | 2,988 | 5,183 | 42 | 1,343 |
| Total | \$5,164 | \$2 | \$5,054 | \$9,404 | \$3,246 | \$18,098 |

| | Nonmajor Governmental Funds | State Special Revenue | Total |
|---|-----------------------------------|-----------------------------|-----------------|
| Due From Other Funds (continued) | | | |
| Economic Development Bonds | \$ 25 | \$ 1,867 | \$ 3,914 |
| Federal Special Revenue | - | 1,955 | 2,321 |
| General Fund | -127 | 24,773 | 46,644 |
| Internal Service Funds | 2 | 2,032 | 6,777 |
| Nonmajor Enterprise Funds | - | 28 | 574 |
| Nonmajor Governmental Funds | 202 | 737 | 2,163 |
| State Special Revenue | 2,322 | - | 12,391 |
| Total | \$2,424 | \$31,392 | \$74,784 |

B. Interfund Loans Receivable/Payable

Montana statutes include a provision for interfund loans when the expenditure of an appropriation is necessary and the cash balance in the account from which the appropriation was made is insufficient to pay the expenditure. Interfund loans receivable/payable are expected to be repaid within one year from the date of the financial statements.

Interfund loans receivable/payable at June 30, 2009, consisted of the following (in thousands):

| | Interfund Loans Payable | | | | |
|-----------------------------------|-------------------------------|------------------------------|-----------------------------------|---------------------------------|-----------------------------|
| | Federal Special Revenue | Internal Service Funds | Unemployment Insurance Fund | Nonmajor Enterprise Funds | State Special Revenue |
| Interfund Loans Receivable | | | | | |
| General Fund | \$24,149 | \$ 1,320 | \$ - | \$ - | \$4,696 |
| Internal Service Funds | 100 | - | - | 150 | - |
| Nonmajor Enterprise Funds | 74 | - | - | - | - |
| Nonmajor Governmental Fund | 626 | - | - | - | 299 |
| State Special Revenue | 67,001 | 622 | 1,336 | - | - |
| Total | \$91,950 | \$1,942 | \$1,336 | \$150 | \$4,995 |

C. Advances To/From Other Funds

Advances to/from other funds represent the portion of interfund loans that are not expected to be repaid within one year from the date of the financial statements. Advances to/from other funds also include the noncurrent portion of balances related to amounts loaned by the Economic Development Bonds Fund to other funds, under the Board of Investments INTERCAP loan program.

Advances to/from other funds at June 30, 2009, consisted of the following (in thousands):

| | Advances from Other Funds | | | | |
|--------------------------------|-------------------------------|------------------------------|-----------------------------------|-----------------------------|----------|
| | Federal Special Revenue | Internal Service Funds | Nonmajor Governmental Funds | State Special Revenue | Total |
| Advances to Other Funds | | | | | |
| Coal Severance Tax Permanent | \$ - | \$ - | \$ - | \$ 396 | \$ 396 |
| Economic Development Bonds | - | 4,238 | 3,900 | 15,965 | 24,103 |
| General Fund | - | 1,980 | - | - | 1,980 |
| Nonmajor Enterprise Funds | 75 | - | - | - | 75 |
| Nonmajor Governmental Funds | - | - | - | 3,237 | 3,237 |
| State Special Revenue | 1,817 | - | 17,707 | - | 19,524 |
| Total | \$1,892 | \$6,218 | \$21,607 | \$19,598 | \$49,315 |

Additional detail for certain advance balances at June 30, 2009, follows (in thousands):

| Advances from the Economic Development Bonds Fund under the INTERCAP Loan Program | |
|--|----------|
| Department | Balance |
| Natural Resources and Conservation | \$ 3,900 |
| Environmental Quality | 1,108 |
| Justice | 14,857 |
| Transportation | 4,238 |
| Total | \$24,103 |

| Advances from the Coal Severance Tax Permanent Fund | |
|--|---------|
| Department | Balance |
| Justice | \$396 |
| Total | \$396 |

D. Interfund Transfers

Routine transfers between funds are recorded to (1) transfer revenues from the fund legally required to receive the revenue to the fund authorized to expend the revenue, (2) transfer resources from the General Fund and special revenue funds to debt service funds to support principal and interest payments, (3) transfer resources from enterprise funds to the General Fund to finance general government expenditures, and (4) provide operating subsidies.

Interfund transfers for the year ended June 30, 2009, consisted of the following (in thousands):

| | Transfers In | | | | | |
|---|---------------------------------------|-------------------------------|-----------------|----------------------------------|----------------------------|---------------------------------|
| | Coal Severance Tax Permanent | Federal Special Revenue | General Fund | Internal Service Funds (3) | Land Grant Permanent | Nonmajor Enterprise Funds |
| Transfers Out | | | | | | |
| Coal Severance Tax Permanent | \$ - | \$ - | \$26,958 | \$ - | \$ - | \$ - |
| Federal Special Revenue General Fund | - | - | 14 | - | - | - |
| Internal Service Funds (1) | - | - | - | 645 | - | 51 |
| Land Grant Permanent | - | - | - | - | - | - |
| Nonmajor Enterprise Funds (2) | - | - | 36,158 | - | - | - |
| Nonmajor Governmental Funds | 889 | 73 | - | - | - | - |
| State Special Revenue Pension Trust | - | 1,251 | 9,966 | 1,321 | 1 | 13 |
| Unemployment Insurance | - | - | - | 33 | - | - |
| | - | 803 | - | - | - | - |
| Total | \$889 | \$2,127 | \$73,096 | \$1,999 | \$1 | \$64 |

| | Nonmajor Governmental Funds | State Special Revenue | Economic Development Bonds | Total |
|---|-----------------------------------|-----------------------------|----------------------------------|------------------|
| Transfers Out | | | | |
| Coal Severance Tax Permanent | \$ - | \$ 19,313 | - | \$ 46,271 |
| Federal Special Revenue General Fund | 23,943 | 17,104 | - | 41,061 |
| Internal Service Funds (1) | 114,993 | 27,813 | - | 143,502 |
| Land Grant Permanent | - | - | 725 | 725 |
| Nonmajor Enterprise Funds (2) | 1,133 | 70,601 | - | 71,734 |
| Nonmajor Governmental Funds | - | 6,596 | - | 42,754 |
| Nonmajor Governmental Funds | 2,643 | 21,699 | - | 25,304 |
| State Special Revenue Pension Trust | 9,708 | - | - | 22,260 |
| Unemployment Insurance | - | - | - | 33 |
| | - | - | - | 803 |
| Total | \$152,420 | \$163,126 | \$725 | \$394,447 |

- (1) Total transfers-out for internal service funds on the financial statements is reported as \$2,162,384. The difference of \$1,437,384 between the amount reported above of \$725,000 and the amount reported on the financial statements relates to the movement of capital assets between a governmental fund type and the internal service fund type. When assets were transferred between these funds, the transferring fund recorded the net book value of the capital asset as a capital contribution, and the receiving fund type recorded the net book value of the capital asset as a transfer-out.
- (2) Total transfers-out for nonmajor enterprise funds on the financial statements is reported as \$39,156,842. The difference of \$94,340 between the amount reported above of \$39,062,502 and the amount reported on the financial statements relates to the movement of capital assets between a governmental fund type and the nonmajor enterprise fund type. When assets were transferred between these funds, the transferring fund recorded the net book value of the capital asset as a capital contribution, and the receiving fund type recorded the net book value of the capital asset as a transfer-out.
- (3) Total transfers-in for internal service funds on the financial statements is reported as \$2,249,132. The difference of \$250,000 between the amount reported above of \$1,999,132 and the amount reported on the financial statements relates to the movement of capital assets between a component unit and the internal service fund type. On the component unit it is classified as a payment to primary government.

NOTE 13. FUND DEFICITS

The following funds have a deficit fund balance/net assets position at June 30, 2009, (in thousands):

| Fund Type/Fund | Deficit |
|--------------------------------------|----------------|
| <u>Enterprise funds</u> | |
| Subsequent Injury | \$(2,620) |
| <u>Internal service funds</u> | |
| Admin Central Services | \$ (96) |
| Justice Legal Services | \$ (155) |
| OPI Central Services | \$ (80) |
| Personnel Training | \$ (38) |

NOTE 14. RESERVED FUND BALANCES

Special Revenue Funds – The State and Federal Special Revenue Funds reserved fund balances are for the following purposes (in thousands):

| Fund Type/Purpose | Amount |
|---|--------------------|
| <u>State Special Revenue funds</u> | |
| General Government | \$ 36,960 |
| Public Safety/Corrections | 291,878 |
| Transportation | 96,102 |
| Health/Social Services | 87,010 |
| Education/Cultural | 7,575 |
| Resource/Recreation/Environment | 482,942 |
| Economic Development/Assistance | 99,853 |
| Total state special revenue funds | <u>\$1,102,320</u> |
| <u>Federal Special Revenue funds</u> | |
| General Government | \$ 3,097 |
| Public Safety/Corrections | 352 |
| Health/Social Services | 1,430 |
| Education/Cultural | 21,159 |
| Resource/Recreation/Environment | 576 |
| Economic Development/Assistance | 335 |
| Total federal special revenue funds | <u>\$26,949</u> |

Coal Severance Tax Permanent Trust Fund – The reserve for trust principal is comprised of the following (in thousands):

| Purpose | Amount |
|---|------------------|
| Big Sky Economic Development Fund | \$ 42,087 |
| Coal Severance Tax Bond Fund | 9,949 |
| Treasure State Endowment Fund | 173,801 |
| Treasure State Endowment Regional Water System Fund | 50,223 |
| Coal Severance Tax Permanent Fund | 522,444 |
| Coal Severance Tax Income Fund | (1,685) |
| Total | <u>\$796,819</u> |

NOTE 15. RELATED PARTY TRANSACTIONS

The Montana Board of Regents (Regents), an agency within the State, is the guarantor of loans owned by the Montana Higher Education Student Assistance Corporation (MHESAC), a private non-profit corporation and by the Student Assistance Foundation of Montana (SAF) and subsidiaries. The Regents and MHESAC have three common board members. Approximately 76.93% of the Regents' outstanding loan volume, \$1,576,254,803, is held by either MHESAC or SAF and subsidiaries. During fiscal year 2000, MHESAC undertook a reorganization under which its operating staff and assets were transferred to the Student Assistance Foundation of Montana, and MHESAC entered into agreements with SAF to provide management and loan servicing to MHESAC. The Board of Regents and SAF have one common board member. The Office of Commissioner of Higher Education (OCHE) paid SAF during fiscal year 2009 for its share of various costs, such as personnel costs for employees of SAF who performed services that were of direct benefit to the State, equipment leases, computer maintenance costs, utilities, and other shared operating expenses. The total amount of these expenses for fiscal year 2009 amounted to \$562,558. Additionally, OCHE (including the Guaranteed Student Loan Program) paid \$186,869 to SAF for leased space in the building OCHE occupies with SAF at 2500 Broadway, Helena, MT 59601.

A staff member in the Department of Administration, Health Care and Benefits Division, serves as a Director of the Montana Association of Health Care Purchasers for no remuneration. The Department pays this association \$1 per member per year to maintain its membership as well as a monthly fee of \$.70 per member. The monthly fees are payment for data analysis, actuarial analysis, and consulting services performed by association staff on behalf of member employers. The Montana University System is also a member of this organization.

NOTE 16. CONTINGENCIES

A. Litigation

The State is party to legal proceedings, which normally occur in government operations. The legal proceedings are not, in the opinion of the State's legal counsel and the Department of Administration, likely to have a material adverse impact on the State's financial position, except where listed below.

In State of Montana v. Philip Morris, Inc., No. CDV 97-306 (Mont. 1st Jud. Dist. Lewis & Clark County), the State of Montana filed various claims against six tobacco manufacturers seeking recovery of an unspecified amount of damages, penalties, and attorney's fees. The lawsuit was resolved eventually through two settlements. The State first settled its claims against one of the manufacturers, Liggett & Meyers, Inc., for \$1 million to be paid over a 20-year period. It next settled its claims against the remaining manufacturers in November 1998 for a base settlement amount of \$832 million payable over 26 years. The base amount was augmented by \$90 million in 1999, with the additional amount to be paid in equal installments over a 10-year period beginning in 2007.

The settlement provides that the cigarette manufacturers may offset against their payment in any year certain amounts of money if it is found that the original settling manufacturers (known as OPMs) have lost more than 2% of their market share to non-settling manufacturers (known as NPMs), and that the disadvantages imposed by the settlement were a "significant factor" in the market share loss. The settlement further provides that the offset, known as the "NPM adjustment" may not be taken against the payments to any state that has enacted a "qualifying statute" and diligently enforced the statute during the year in question. Montana enacted such a qualifying statute in 1999, Title 16, Chapter 11, Parts 401 – 404, MCA.

In March 2006, a determination was made pursuant to the settlement that the OPMs had lost sufficient market share in 2003 to trigger an NPM adjustment analysis, and that disadvantages caused by the settlement were a significant factor in the market share loss. Similar findings have been made or agreed to for years 2004 through 2006. The State has filed a motion in the lawsuit seeking a declaration that it diligently enforced its qualifying statute during 2003. The OPMs moved to compel arbitration of the question, and the Montana Supreme Court has rejected the OPMs motion. In the opinion of the counsel, good factual arguments exist to show that the State diligently enforced its statute during the year in question. However, legal and procedural uncertainties exist that make an adverse determination reasonably possible. An adverse determination on the

diligent enforcement issue could result in the loss of some or all of the State's payments for years 2003 through 2006, which would be recouped through an offset of payments due in future years. At present, the NPM case involves roughly \$1.8 million that was withheld from the April 2006 payment to the State. The OPMs have asserted claims for NPM adjustments for later years as well. The outcome of these claims is also uncertain.

This settlement has also formed the basis for other lawsuits against the State. On July 1, 2002, a group of cigarette manufacturers and marketers filed suit against the Attorneys General of 31 states, including Montana, in the United States District Court for the Southern District of New York, seeking a declaration that the provisions of Title 16, Chapter 11, Part 4, MCA, violate several provisions of the United States Constitution, and seeking injunctive relief against the enforcement of the statutes. Grand River Enterprises Six Nations, Ltd., v. Pryor et al., Docket No. 02 CV 5068 (U.S. Dist. Ct., S.D.N.Y.). An adverse outcome could threaten the ability of the State to continue to receive payments from the tobacco companies under the settlement of the Mazurek case. The potential loss to the Treasury could amount to \$30-35 million annually. The federal district court had dismissed the complaint, but the United States Court of Appeals for the Second Circuit has reversed the trial court and remanded one of the claims for further proceedings. The United States Supreme Court has denied review, and the case has been remanded for further proceedings. In the opinion of counsel, good defenses exist to the claims, and an adverse result impairing or preventing receipt of the State's payment is possible, but unlikely.

Beginning in February 2001, the Montana Department of Fish, Wildlife and Parks became the defendant in a number of lawsuits challenging the constitutionality and enforcement of Initiative Measure 143, which banned the issuance of new licenses for game farms in Montana, prohibited the transfer of existing licenses, and prohibited game farm licenses from allowing the shooting of game farm animals on a game farm for a fee or other remuneration. Most of these cases sought declaratory and injunctive relief, but several cases are now pending in which game farmers have alleged that I-143 takes their property without just compensation in violation of the state and federal constitutions, and in which they seek damages from the State for the alleged uncompensated taking. One of the cases, Spoklie v. State of Montana, U.S. District Ct., D. Mont. Docket No. CV-02-102-GF-SHE, has been dismissed in its entirety, and the dismissal has now been affirmed by the Ninth Circuit of Appeals. In two of the cases, Kafka v. Montana Department of Fish Wildlife, and Parks,

Hill County Docket No. DV-02-059, and Buhmann et al. v. State of Montana et al., Lewis and Clark Docket No. DV-2002-555, the trial courts entered judgment in favor of the State on the taking claims, the Montana Supreme Court has affirmed that judgment, and the United States Supreme Court has denied further review. These cases can be considered concluded in favor of the State. Royal Tine Ranch v. State, Flathead County Docket No. DV-02-606C, is submitted on cross-motions for summary judgment. Counsel for the State and for the Plaintiff have agreed to the voluntary dismissal of the case with prejudice. A similar agreement is in place in Mesaros v. Department of Fish, Wildlife and Parks, Cascade County Docket No. BDV 03-0119.

Wallace v. State of Montana, Ravalli County Docket No. 02-254, and Bowman v. Montana Fish, Wildlife and Parks, Fergus County Docket No. DV-2002-02, were previously dismissed without prejudice. In Spoklie v. Montana Department of Fish, Wildlife and Parks, Sheridan County Docket No. 11013, the State's motion for summary judgment is pending. In the opinion of counsel, good defenses exist to all claims, and the possibility of an outcome adverse to the state is very remote.

In Terry Blanton v. DPHHS, filed in Montana Twentieth Judicial District Court, Lake County, Cause No. DV-06-37, a class-action lawsuit was filed on the part of plaintiffs who seek to "force DPHHS to obey federal Medicaid and anti-lien laws and the state 'made whole' doctrine." The lawsuit seeks payment from DPHHS of money allegedly wrongfully collected from third-party settlements or recoveries of Medicaid recipients. The lawsuit also seeks interest, costs, attorney fees, and declaratory and injunctive relief. On September 5, 2007, the court issued an order granting class certification. There is currently no trial date and no pretrial schedule. The state defendants do not feel that the material facts in the case have been sufficiently developed to permit a determination of the likelihood of success on the merits. In addition, the fiscal impact on the State, should the plaintiffs prevail, and the amount of any potential award of attorney fees and costs, is also not determinable at this time.

In October 2008 a complaint, Diaz et al. v. Blue Cross & Blue Shield et al., was filed in the Montana First Judicial District Court, Lewis and Clark County, Cause No. BVD 2008-956, by plaintiffs Jeanette Diaz, Leah Hoffman-Bernhardt, Rachael Laudon, individually and on behalf of others similarly situated, naming Blue Cross and Blue Shield of Montana, New West Health Services, Montana Comprehensive Health Association, and the State of Montana as defendants. The complaint alleges that the defendants have violated the "made whole" law of Montana and illegally given themselves subrogation rights. There is currently before the Court a

motion for class certification and cross motions for summary judgment. A hearing regarding the class certification motion was held August 24-25, 2009, but the court has yet to issue an Order. If the court denies certification, the potential damages would be very minimal. If the court grants class certification the potential exposure to the State increases. A recent Supreme Court opinion that addresses private insurance exclusions was decided against the private insurer, in that case Blue Cross and Blue Shield of Montana. This decision could adversely affect the State's position in the Diaz case. At this time it is difficult to predict an outcome and monetary effect to the state because the state provides its insurance on a self insured basis, which was not at issue in the recent Montana Supreme Court case, and because the court has yet to rule on the certification issue.

A complaint was filed in July 2009, SBC Archway III, LLC v. State of Montana in Montana First Judicial District Court, Lewis and Clark County, Cause No. BDV 1109-688, arising from the State's termination of three, 30-year "build to suit" leases with the developer following the 2009 legislature's rejection of funding for the leases in the 2010-11 biennium. The developer has purchased the property and prepared architectural plans for the building, but had not yet begun construction of the building at the time the leases were terminated. The developer is seeking damages including the cost of the property acquisition (purchase price of \$1.9 million, lost profits for the 30-year lease term, delay damages, and other costs incurred prior to lease termination). The State has filed a substantive motion to dismiss the complaint, which motion is pending before the court. In the opinion of counsel, the State has numerous strong defenses to the suit, including the contractual right to terminate in the event of a reduction of funds for the purposes of the leases and the 2009 legislature's rejection of funding for the leases. If the plaintiff were to prevail, given the early stages of the case, the fiscal impact on the State is not determinable at this time.

Working Rx, Inc., v. Montana State Fund. The original complaint was filed and served in September 2006, but was dismissed to provide for the presentation of the claim to the Department of Administration as required in Title 2, Chapter 9, Section 301, MCA. The complaint also named other parties as defendants. Working Rx filed an amended complaint in November 2009, in which it is seeking \$6,497,249.92, based on an unjust enrichment claim. Montana State Fund is now the only named defendant. Whether Montana State Fund or the Old Fund has any responsibility to Working Rx for payment of pharmacy claims is the basis of the claim. Montana State Fund does not have sufficient information to determine potential liability or cost impact.

Coles, Individually and as Personal Representatives for the Estate of Steven Bearcrane v. Black Ranches, Inc., Crow Tribal Court No. CAV 07-044, is a tort case filed against a policy holder of Montana State Fund. The case involves a wrongful death claim by the estate of an employee of the policyholder. Montana State Fund is providing a defense under a complete reservation of rights to the policy holder under Part Two of the State Fund's insurance policy, also known as employers' liability coverage. The policy limits in this case are \$1,000,000. The exclusive remedy provisions of MCA Section 39-71-411 should bar this type of tort claim against the policy holder. However, if the plaintiffs are successful in convincing the court that MCA Section 39-71-411 does not provide a defense, and that the employer-policyholder was at fault in causing the death of its employee the damages may be substantial. Actual potential cost impact to the State Fund is not known at this time. Liability for Montana State Fund, up to its policy limits (\$1,000,000), is reasonably possible.

W.R Grace & Co Litigation – The Risk Management and Tort Defense Division disclosure of pending or threatened litigation includes approximately 1,000 claims against the State of Montana alleging that the State failed to warn of the hazards of asbestos exposure associated with the operations of W.R Grace & Co. in Lincoln County Montana. To date, it has not been possible to reasonably estimate the amount of the potential loss for each specific claim.

The W.R Grace bankruptcy is about to conclude, and there is a possibility that claims against the State could be resolved during fiscal year 2010. If that occurs, and if there is court approval of any such resolution of claims, the State may be required to make payments in settlement of claims during fiscal year 2010.

If the Claims are resolved, and if the State is required to make a settlement payment from the Administration Self Insurance Funds, discussed in Note 8 (B) (2), the State will seek reimbursement of that payment from its insurers, W.R. Grace, and any trust established in the W.R. Grace Bankruptcy.

B. Federal Contingencies

USDA Commodities – In fiscal year 2009, the State distributed \$9,079,521 in commodities. The value of the commodities stored in the State's warehouses was \$2,033,204 at June 30, 2009, for which the State is liable in the event of loss.

C. Miscellaneous Contingencies

Loan Guarantees – As of June 30, 2009, the Board of Investments (BOI) had provided loan guarantees from the Coal Severance Tax Permanent Trust Fund to the Economic Development Bonds Enterprise Fund and the

Facility Finance Authority, (a component unit of the State of Montana), totaling \$198,465,022. The BOI's exposure to bond issues of the Economic Development Bonds Enterprise Fund was \$88,920,000, while exposure to bond issues, surety bonds and designated loans of the Facility Finance Authority was \$109,545,022.

Gain Contingencies – Certain natural resource and corporation tax assessments are not reported on the State's financial statements because they are being protested administratively. As of June 30, 2009, the State share of the following assessments (by fund type) were outstanding (in thousands):

| Taxes | General | State Special Revenue |
|-----------------|-----------------|--------------------------------------|
| Coal severance | \$ 91 | \$15 |
| Corporation tax | 34,825 | - |
| Total | \$34,916 | \$15 |

Collectability of these contingencies is dependent upon the decisions of the court, other authorities, or agreed upon settlements. Interest related to Corporation Tax Assessments is distributed to the General Fund.

Loss Contingencies – Certain corporations have requested refunds that are not reported on the State's financial statements as of June 30, 2009. The corporations have appealed the Department of Revenue's assessment. As of June 30, 2009, these include \$6,288,524 of General Fund corporation tax refunds.

Certain companies have protested property taxes that have been included as revenue on the State's financial statements as of June 30, 2009. As of June 30, 2009, these include \$3,913,319 of protested property taxes recorded in the General Fund and \$4,429,231 recorded in the State Special Revenue Fund.

NOTE 17. SUBSEQUENT EVENTS

Bond/Loan Issues

On July 1, 2009, U.S. Bank established a mandatory 100% redemption of the conduit debt bonds for The Gainey Foundation for \$3,290,000. The bonds were redeemed in accordance with the loan agreement which requires a renewed or substitute letter of credit be presented to the Bank 45 days prior to the expiration or termination of the current letter of credit.

On August 19, 2009 the Facility Financing Authority issued \$610,000 in bonds for the Rimrock Foundation

to refinance three loans for building purchases, finance the basement for a modular home, and to purchase part of a cooling system for a building. These bonds will mature on August 1, 2029.

In September 2009, the Department of Natural Resources and Conservation pursuant to Montana Code Annotated Title 17, Chapter 5, Part 731 issued two Coal Tax Severance Bond Anticipation Notes. Series A is a tax exempt note in the amount of \$1,625,000, the proceeds of which are for project costs made to local governments to improve dams and irrigation facilities. Series B is a taxable note in the amount of \$410,000 to fund water projects. It will be made to the Deadman Basin Water Users Association to fix its irrigation facilities.

Investment Related Issues

On August 28, 2009, the Board received an Axon Financial Funding payment of \$4,086,193 representing \$3,893,968 in principal and interest compensation of \$192,225. An additional interest compensation payment of \$153,270 from Axon Financial Funding was received on October 1, 2009.

On October 14, 2009 the Board received its initial payment from Orion Finance USA totaling \$12,490,293. This payment applied \$9,867,165 to principal, \$903,922 to the accrued interest receivable as of January 15, 2008, January 21, 2008, and April 20, 2008, and \$1,719,206 to interest compensation.

Other Issues

On July 22, 2009, the owner of a Montana mine agreed to pay \$12.2 million in additional royalties and interest to settle a lawsuit brought by the federal government and the US departments of Justice and Interior. Almost 50 percent of the settlement money will go to the state of Montana because production at the Rosebud Mine in Colstrip occurred on federal lands in the state. Western Energy, the owner of the mine and subsidiary of Westmoreland Coal Co., also agreed to report future royalties according to the Interior Department requirements. The settlement said Western Energy originally claimed improper transportation allowances. Westmoreland says Western Energy has agreed to reimburse 80 percent of the settlement amount and to pay 80 percent of future royalty payments owed to the government.

On December 9, 2009, the State of Montana received 3 settlement agreements from the United States Bankruptcy Court for the Southern District of Texas Corpus Christi Division in regard to ASARCO, LLC in the amount of \$40.2 million. The purpose of these funds is to be used for performing response/remedial

actions and restoration actions in connection with the various sites per the terms of the settlement agreement.

On November 3, 2009 the Montana Supreme Court issued its opinion in the Satterlee v. Lumberman's Mutual Casualty Company v. Montana State Fund, 2009 MT 368, which affirmed the Workers' Compensation Court decision holding section 39-71-710, MCA constitutional as not violating Satterlee's right to equal protection and substantive due process. The range of estimated liability was not included in the Montana State Fund or Old Fund loss reserves. The contingency previously disclosed in the notes to the financial statements has been removed.

NOTE 18. MATERIAL VIOLATIONS OF FINANCE-RELATED LEGAL PROVISIONS

Constitutionality of Retirement Plan Funding

The Montana Constitution, Article VIII, Section 15 states that public retirement plans shall be funded on an actuarially sound basis. As of June 30, 2009, the Public Employees Retirement System-Defined Benefit Retirement Plan (PERS-DBRP), Sheriffs Retirement System (SRS), Game Warden & Peace Officers Retirement System (GWPORS) and Teachers Retirement System (TRS) were not in compliance. Detailed information for the retirement plan can be found in Note 6.

BUDGETARY COMPARISON SCHEDULE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009
 (amounts expressed in thousands)

| | GENERAL FUND | | | |
|---|--------------------|-----------------|------------|-------------------------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| REVENUES | | | | |
| Licenses/permits | \$ 99,570 | \$ 99,570 | \$ 120,545 | \$ 20,975 |
| Taxes: | | | | |
| Natural resource | 131,604 | 131,604 | 137,569 | 5,965 |
| Individual income | 850,648 | 850,648 | 797,580 | (53,068) |
| Corporate income | 167,064 | 167,064 | 166,355 | (709) |
| Property | 206,859 | 206,859 | 217,042 | 10,183 |
| Fuel | - | - | - | - |
| Other | 211,083 | 211,083 | 211,542 | 459 |
| Charges for services/fines/forfeits/settlements | 35,720 | 35,720 | 35,628 | (92) |
| Investment earnings | 22,267 | 22,267 | 15,885 | (6,382) |
| Sale of documents/merchandise/property | 451 | 451 | 308 | (143) |
| Rentals/leases/royalties | 2 | 2 | 1 | (1) |
| Contributions/premiums | - | - | (17) | (17) |
| Grants/contracts/donations | 1,900 | 1,900 | 1,797 | (103) |
| Federal | 29,860 | 29,860 | 31,935 | 2,075 |
| Federal indirect cost recoveries | 132 | 132 | 114 | (18) |
| Other revenues | - | - | 85 | 85 |
| Total revenues | 1,757,160 | 1,757,160 | 1,736,369 | (20,791) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 240,776 | 239,670 | 231,920 | 7,750 |
| Public safety/corrections | 247,734 | 247,670 | 221,155 | 26,515 |
| Transportation (Note RS-1) | 3,356 | 3,365 | 825 | 2,540 |
| Health/social services | 411,134 | 355,055 | 334,516 | 20,539 |
| Education/cultural | 877,162 | 875,315 | 859,266 | 16,049 |
| Resource/recreation/environment | 32,451 | 35,602 | 32,393 | 3,209 |
| Economic development/assistance | 36,509 | 49,455 | 33,231 | 16,224 |
| Debt service: | | | | |
| Principal retirement | 760 | 797 | 293 | 504 |
| Interest/fiscal charges | 45 | 45 | 45 | - |
| Capital outlay (Note RS-1) | 6,587 | 8,906 | 1,518 | 7,388 |
| Total expenditures | 1,856,514 | 1,815,880 | 1,715,162 | 100,718 |
| Excess of revenue over (under) expenditures | (99,354) | (58,720) | 21,207 | 79,927 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Insurance proceeds | 3,436 | 3,436 | 1,406 | (2,030) |
| General capital asset sale proceeds | 69 | 69 | 63 | (6) |
| Transfers in | 75,270 | 75,270 | 62,509 | (12,761) |
| Transfers out | (22,433) | (36,611) | (36,341) | 270 |
| Total other financing sources (uses) | 56,342 | 42,164 | 27,637 | (14,527) |
| Net change in fund balances (Budgetary basis) | (43,012) | (16,556) | 48,844 | 65,400 |
| RECONCILIATION OF BUDGETARY/GAAP REPORTING | | | | |
| 1. Securities lending income | - | - | 1,750 | 1,750 |
| 2. Securities lending costs | - | - | (630) | (630) |
| 3. Inception of lease/installment contract | - | - | 140 | 140 |
| 4. Adjust expenditures for encumbrances | - | - | (193) | (193) |
| 5. Adjustments for nonbudgeted activity | - | - | (93,780) | (93,780) |
| Net change in fund balances (GAAP basis) | (43,012) | (16,556) | (43,869) | (27,313) |
| Unreserved fund balances - July 1 | 433,580 | 433,580 | 433,580 | - |
| Prior period adjustments | - | - | - | - |
| Decrease (increase): | | | | |
| Encumbrances reserve | - | - | 309 | 309 |
| Long-term loans/notes receivable reserve | - | - | 49 | 49 |
| Advances to other funds reserve | - | - | 664 | 664 |
| Special revenue reserve | - | - | - | - |
| Trust principal | - | - | 10 | 10 |
| Escheated property reserve | - | - | 1,783 | 1,783 |
| Unreserved fund balances - June 30 | \$ 390,568 | \$ 417,024 | \$ 392,526 | \$ (24,498) |

The notes to the required supplementary information are an integral part of this schedule.

| STATE SPECIAL REVENUE FUND | | | | FEDERAL SPECIAL REVENUE FUND | | | |
|----------------------------|-----------------|-------------|-------------------------------|------------------------------|-----------------|------------|-------------------------------|
| ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| \$ 181,255 | \$ 181,255 | \$ 165,305 | \$ (15,950) | \$ - | \$ - | \$ - | \$ - |
| 183,944 | 183,944 | 236,882 | 52,938 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 15 | 15 | 3 | (12) | - | - | - | - |
| 13,373 | 13,373 | 14,538 | 1,165 | - | - | - | - |
| 216,065 | 216,065 | 206,924 | (9,141) | - | - | - | - |
| 103,581 | 103,581 | 102,038 | (1,543) | 1 | 1 | - | (1) |
| 104,195 | 104,195 | 90,348 | (13,847) | 59,634 | 59,634 | 34,156 | (25,478) |
| 15,186 | 15,186 | 7,006 | (8,180) | 1,007 | 1,007 | 421 | (586) |
| 5,794 | 5,794 | 3,463 | (2,331) | - | - | - | - |
| 2,341 | 2,341 | 26,473 | 24,132 | - | - | - | - |
| 20,124 | 20,124 | 19,893 | (231) | - | - | - | - |
| 19,532 | 19,532 | 13,355 | (6,177) | 1,973 | 1,973 | 41 | (1,932) |
| 19,979 | 19,979 | 11,974 | (8,005) | 2,150,117 | 2,150,117 | 1,677,911 | (472,206) |
| 34,758 | 34,758 | 53,861 | 19,103 | 55,837 | 55,837 | 54,997 | (840) |
| - | - | 12 | 12 | - | - | - | - |
| 920,142 | 920,142 | 952,075 | 31,933 | 2,268,569 | 2,268,569 | 1,767,526 | (501,043) |
| 284,791 | 286,649 | 166,950 | 119,699 | 38,496 | 41,714 | 31,704 | 10,010 |
| 54,066 | 57,861 | 50,301 | 7,560 | 89,527 | 101,983 | 50,049 | 51,934 |
| 340,284 | 352,661 | 260,141 | 92,520 | 375,748 | 358,570 | 321,203 | 37,367 |
| 135,668 | 136,614 | 115,807 | 20,807 | 1,092,282 | 1,195,233 | 1,068,750 | 126,483 |
| 101,687 | 103,004 | 87,513 | 15,491 | 266,777 | 258,609 | 184,457 | 74,152 |
| 258,442 | 263,785 | 142,303 | 121,482 | 88,529 | 123,658 | 51,427 | 72,231 |
| 117,141 | 122,184 | 97,313 | 24,871 | 59,696 | 103,625 | 42,788 | 60,837 |
| 7,644 | 7,636 | 362 | 7,274 | 260 | 338 | 174 | 164 |
| 847 | 847 | 847 | - | 21 | 21 | 21 | - |
| 89,470 | 72,579 | 21,489 | 51,090 | 45,218 | 103,279 | 31,743 | 71,536 |
| 1,390,040 | 1,403,820 | 943,026 | 460,794 | 2,056,554 | 2,287,030 | 1,782,316 | 504,714 |
| (469,898) | (483,678) | 9,049 | 492,727 | 212,015 | (18,461) | (14,790) | 3,671 |
| 7,676 | 7,676 | 3,046 | (4,630) | 721 | 721 | 131 | (590) |
| 265 | 265 | 153 | (112) | - | - | - | - |
| 247,708 | 247,708 | 184,249 | (63,459) | 54,357 | 54,357 | 12,351 | (42,006) |
| (21,221) | (21,146) | (10,889) | 10,257 | (108,862) | (113,706) | (40,059) | 73,647 |
| 234,428 | 234,503 | 176,559 | (57,944) | (53,784) | (58,628) | (27,577) | 31,051 |
| (235,470) | (249,175) | 185,608 | 434,783 | 158,231 | (77,089) | (42,367) | 34,722 |
| - | - | 2,001 | 2,001 | - | - | 45 | 45 |
| - | - | (756) | (756) | - | - | (15) | (15) |
| - | - | 11 | 11 | - | - | 416 | 416 |
| - | - | 16,705 | 16,705 | - | - | (2,185) | (2,185) |
| - | - | 18,453 | 18,453 | - | - | 62,307 | 62,307 |
| (235,470) | (249,175) | 222,022 | 471,197 | 158,231 | (77,089) | 18,201 | 95,290 |
| (22,064) | (22,064) | (22,064) | - | (25,800) | (25,800) | (25,800) | - |
| - | - | - | - | - | - | - | - |
| - | - | (2,642) | (2,642) | - | - | 256 | 256 |
| - | - | (19,174) | (19,174) | - | - | (43) | (43) |
| - | - | (2,863) | (2,863) | - | - | - | - |
| - | - | (198,364) | (198,364) | - | - | (310) | (310) |
| - | - | (100) | (100) | - | - | - | - |
| - | - | - | - | - | - | - | - |
| \$ (257,534) | \$ (271,239) | \$ (23,185) | \$ 248,054 | \$ 132,431 | \$ (102,889) | \$ (7,696) | \$ 95,193 |

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI-1. BUDGETARY REPORTING

A. State Budget Process

The Montana Legislature meets in the odd-numbered years to prepare annual budgets for the next biennium. The constitution requires that legislative appropriations not exceed available revenues. The Legislature uses revenue estimates in the budgetary process to establish appropriation levels. Expenditures may not legally exceed budget appropriations at the fund level. In addition, the State Constitution prohibits borrowing to cover deficits incurred because appropriations exceeded anticipated revenues. State law requires an appropriation for disbursements from the general, special revenue and capital projects funds, except for those special revenue funds from non-state and non-federal sources restricted by law or by the terms of an agreement. The level of budgetary control is established by fund type, except capital project funds, which are at project level. Budgets may be established in other funds for administrative purposes.

Agency budget requests are submitted to the Governor, and the Legislative Fiscal Division receives a copy. The Office of Budget and Program Planning (OBPP) and the Governor analyze the requests, establish priorities, and develop the requests into the executive budget request submitted to the Legislature. Joint appropriations subcommittee hearings are held, and an omnibus appropriation bill is reported in the House and subsequently sent to the Senate. The Legislature generally enacts one bill to establish the majority of appropriations for the next two fiscal years. OBPP establishes appropriations for each program by accounting entity (fund) within an agency. The Legislature enacts other appropriations, but only within the available revenue. Agencies must prepare and submit to the budget director operational plans showing the allocation of operating budgets by expenditure category (i.e., personal services, operating expenses, equipment, etc.). The budget director or other statutorily designated approving authority may authorize changes among expenditure categories and transfers between program appropriations.

Appropriations may not be increased by amendment in the General Fund. However, a department, institution, or agency of the executive branch desiring authorization to make expenditures from the General Fund during the first fiscal year of the biennium from appropriations for the second fiscal year of the biennium may apply for authorization from the Governor through the budget

director. In the second year of the biennium, during the legislative session, the Legislature may authorize supplemental appropriations. The Governor, or designee, may approve budget amendments for non-general fund monies not available for consideration by the Legislature and for emergencies. In the accompanying financial schedule, original and final budget amounts are reported. There were no expenditures in excess of total authorized appropriations in the State's budgeted funds for the fiscal year.

Appropriations may be continued into the next fiscal year when authorized by the Legislature or the Governor's office. After fiscal year-end, appropriations that are not continued are reverted. The reverted appropriations remain available for one fiscal year for expenditures that exceed the amount accrued or encumbered. Fund balances are not reserved for reverted appropriations. For fiscal year 2009, reverted governmental fund appropriations were as follows: General Fund - \$74.6 million, State Special Revenue Fund - \$279.7 million, and Federal Special Revenue Fund - \$216.4 million. Agencies are allowed to carry forward 30% of their reverted operating appropriations into the next two fiscal years. This amount can be used for new expenditures at the request of the agency and upon approval of OBPP.

Appropriations for capital projects funds are not made on an annual basis, but are adopted on a project-length basis. Because these non-operating budgets primarily serve a management control purpose, and related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided.

B. Budget Basis

The Legislature's legal authorization ("appropriations") to incur obligations is enacted on a basis inconsistent with GAAP. The budget basis differs from GAAP for encumbrances outstanding at fiscal year-end; compensated absences, fixed assets and inventories purchased in proprietary funds; certain loans from governmental funds; and other miscellaneous nonbudgeted activity (e.g., bad-debt write-offs, etc.).

REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN INFORMATION

| Pension Plan Information Schedule of Funding Progress <i>(in thousands)</i> | | | | | | |
|---|--------------------------------------|---|------------------------------|---------------------------|-----------------------------------|--|
| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability(AAL) Entry Age (b) | Unfunded (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as Percentage of Covered Payroll ((b-a)/c) |
| Single Employer System | | | | | | |
| JRS | | | | | | |
| 6/30/2007 | 57,778 | 36,863 | (20,915) | 157% | 4,841 | ((432%) |
| 6/30/2008 | 62,040 | 39,435 | (22,605) | 157% | 5,096 | (444%) |
| 6/30/2009 | 61,929 | 41,848 | (20,081) | 148% | 5,110 | (393%) |
| HPORS | | | | | | |
| 6/30/2007 | 95,758 | 128,306 | 32,548 | 75% | 9,858 | 330% |
| 6/30/2008 | 101,500 | 134,683 | 33,183 | 75% | 10,866 | 305% |
| 6/30/2009 | 99,652 | 137,815 | 38,163 | 72% | 11,425 | 334% |
| Multiple Employer Systems | | | | | | |
| PERS-DBRP | | | | | | |
| 6/30/2007 | 3,825,234 | 4,201,251 | 376,017 | 91% | 907,424 | 41% |
| 6/30/2008 | 4,065,307 | 4,504,743 | 439,436 | 90% | 955,113 | 46% |
| 6/30/2009 | 4,002,212 | 4,792,819 | 790,607 | 84% | 1,003,215 | 79% |
| SRS | | | | | | |
| 6/30/2007 | 183,894 | 183,036 | 5,142 | 97% | 43,611 | 12% |
| 6/30/2008 | 199,453 | 204,549 | 5,096 | 98% | 47,196 | 11% |
| 6/30/2009 | 200,690 | 223,893 | 23,203 | 90% | 51,457 | 45% |
| GWPORS | | | | | | |
| 6/30/2007 | 68,755 | 72,992 | 4,237 | 94% | 28,799 | 15% |
| 6/30/2008 | 77,511 | 83,449 | 5,938 | 93% | 32,365 | 18% |
| 6/30/2009 | 81,177 | 92,155 | 10,978 | 88% | 36,023 | 30% |
| MPORS | | | | | | |
| 6/30/2007 | 198,310 | 310,423 | 112,113 | 64% | 29,547 | 379% |
| 6/30/2008 | 212,312 | 327,556 | 115,244 | 65% | 32,181 | 358% |
| 6/30/2009 | 214,345 | 345,261 | 130,916 | 62% | 34,687 | 377% |
| FURS | | | | | | |
| 6/30/2007 | 188,545 | 269,399 | 80,854 | 70% | 24,250 | 333% |
| 6/30/2008 | 206,127 | 287,218 | 81,091 | 72% | 29,158 | 278% |
| 6/30/2009 | 209,775 | 306,236 | 96,460 | 69% | 30,160 | 320% |
| TRS (1) | | | | | | |
| 7/1/2007 | 3,006.2 | 3,928.5 | 768.9 | 79.6% | 664.1 | 115.8% |
| 7/1/2008 | 3,159.1 | 4,110.8 | 794.6 | 79.9% | 689.5 | 115.2% |
| 7/1/2009 | 2,762.2 | 4,331.0 | 1,411.6 | 66.2% | 683.2 | 206.6% |
| Nonemployer Contributor | | | | | | |
| VFCA | | | | | | |
| 6/30/2007 | 25,862 | 31,599 | 5,737 | 82% | NA | NA |
| 6/30/2008 | 27,544 | 32,735 | 5,191 | 84% | NA | NA |
| 6/30/2009 | 27,226 | 33,548 | 6,322 | 81% | NA | NA |

(1) For TRS, the unfunded actuarial accrued liability (UAAL) amount doesn't equal column b minus column a as the UAAL amount includes the present value of future university supplemental contributions.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN INFORMATION (OPEB)

The State of Montana and the Montana University System (MUS) implemented Governmental Accounting Standards Board (GASB) Statements 43 and 45 as of June 30, 2008 (see Notes 2 and 7).

The State of Montana and MUS OPEB plans allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of an “implied rate” subsidy in the related financial statements and footnotes. While this liability is disclosed for financial statement purposes, it does not represent a legal liability of the State or any of its component units.

In accordance with GASB Statement 45, the following information is presented to reflect the funding progress of the Other Postemployment Benefits Plans.

Other Postemployment Benefits Plan Information (1)
Schedule of Funding Progress
(in thousands)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability(AAL) Entry Age (b) | Unfunded (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as Percentage of Covered Payroll ((b-a)/c) |
|---|--|---|--------------------------------------|-----------------------------------|---|--|
| State Agent Multiple Employer Plan | | | | | | |
| 1/1/2007 | - | 449,321 | 449,321 | 0.00% | 519,969 | 86.41% |
| MUS Agent Multiple Employer Plan | | | | | | |
| 7/1/2007 | - | 182,597 | 182,597 | 0.00% | 349,259 | 52.28% |

(1) The State and the MUS implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, for the fiscal year ended June 30, 2008. Information for prior years is not available.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

AMOUNT**PEACE CORPS**

| | | |
|--------|--------------------------------|----------------|
| 08.999 | Miscellaneous Non-Major Grants | 9,949 |
| | TOTAL | \$9,949 |

DEPARTMENT OF AGRICULTURE

| | | |
|--------|---|------------|
| 10.025 | Plant and Animal Disease, Pest Control, and Animal Care | 1,192,842 |
| 10.028 | Wildlife Services | 90,024 |
| 10.072 | Wetlands Reserve Program | 12,155 |
| 10.162 | Inspection Grading and Standardization | 95,086 |
| 10.163 | Market Protection and Promotion | 399,249 |
| 10.169 | Specialty Crop Block Grant Program | 134,135 |
| 10.475 | Cooperative Agreements with States for Intrastate Meat and Poultry Inspection | 604,556 |
| 10.479 | Food Safety Cooperative Agreements | 99,137 |
| 10.500 | Cooperative Extension Service | 3,652,480 |
| 10.500 | Cooperative Extension Service: From Univ. of Minnesota | 63,362 |
| 10.550 | Food Donation | 3,138,902 |
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, & Children | 13,999,792 |
| 10.558 | Child and Adult Care Food Program | 10,392,937 |
| 10.560 | State Administrative Expenses for Child Nutrition | 391,524 |
| 10.565 | Commodity Supplemental Food Program | 1,971,018 |
| 10.567 | Food Distribution Program on Indian Reservations | 4,034,386 |
| 10.572 | WIC Farmers' Market Nutrition Program (FMNP) | 56,064 |
| 10.574 | Team Nutrition Grants | 217,111 |
| 10.576 | Senior Farmers Market Nutrition Program | 97,033 |
| 10.579 | Child Nutrition Discretionary Grants Limited Availability | 3,178 |
| 10.579 | ARRA Child Nutrition Discretionary Grants Limited Availability | 55,000 |
| 10.580 | Food Stamp Program Outreach/Participation Program | 60,451 |
| 10.582 | Fresh Fruit and Vegetable Program | 440,789 |
| 10.601 | Market Access Program: From US Livestock Genetics | 7,841 |
| 10.601 | Market Access Program: From W US AG Trade Assoc. | 1,532 |
| 10.652 | Forestry Research | 39,257 |
| 10.652 | Forestry Research: From National Forest Foundat. | 7,068 |
| 10.664 | Cooperative Forestry Assistance | 4,896,021 |
| 10.672 | Rural Development, Forestry, and Communities | 302,752 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

| | | AMOUNT |
|--|---|---------------------|
| 10.676 | Forest Legacy Program | 3,370,658 |
| 10.677 | Forest Land Enhancement Program | 39,687 |
| 10.700 | National Agricultural Library | 8,539 |
| 10.901 | Resource Conservation and Development | 50,000 |
| 10.901 | Resource Conservation and Development: From Headwaters RC&D | 5,000 |
| 10.901 | Resource Conservation and Development: From Bitterroot RC&D | 5,000 |
| 10.901 | Resource Conservation and Development: From Northwest RC&D | 5,000 |
| 10.902 | Soil and Water Conservation | 70,398 |
| 10.904 | Watershed Protection and Flood Prevention | 54,955 |
| 10.912 | Environmental Quality Incentives Program | 18,039 |
| 10.918 | Ground and Surface Water Conservation E.Q Incentive Program: From Flint Creek Water Assoc | 892,783 |
| 10.999 | Miscellaneous Non-Major Grants | 515,101 |
| 10.999 | Miscellaneous Non-Major Grants: From Fort Belknap Council | 41,803 |
| TOTAL | | \$51,532,645 |
| CHILD NUTRITION CLUSTER | | |
| 10.553 | School Breakfast Program | 5,407,640 |
| 10.555 | National School Lunch Program | 20,042,291 |
| 10.556 | Special Milk Program for Children | 23,768 |
| 10.559 | Summer Food Service Program for Children | 862,382 |
| TOTAL | | \$26,336,081 |
| EMERGENCY FOOD ASSISTANCE CLUSTER | | |
| 10.568 | Emergency Food Assistance Program (Administrative Costs) | 167,860 |
| 10.568 | ARRA Emergency Food Assistance Program (Administrative Costs) | 42,131 |
| 10.569 | Emergency Food Assistance Program (Food Commodities) | 1,446,081 |
| TOTAL | | \$1,656,072 |
| SCHOOLS AND ROADS CLUSTER | | |
| 10.665 | Schools and Roads: Grants to States | 28,175,029 |
| TOTAL | | \$28,175,029 |
| SNAP CLUSTER | | |
| 10.551 | Supplemental Nutrition Assistance Program (SNAP) | 113,010,838 |
| 10.551 | ARRA Supplemental Nutrition Assistance Program (SNAP) | 4,446,106 |
| 10.561 | State Administrative Matching Grants for SNAP Program | 10,495,954 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

| | | AMOUNT |
|--|--|----------------------|
| 10.561 | ARRA State Administrative Matching Grants for SNAP Program | 19,053 |
| TOTAL | | \$127,971,951 |
| DEPARTMENT OF COMMERCE | | |
| 11.400 | Geodetic Surveys and Services | 12,786 |
| 11.417 | Sea Grant Support | 20,550 |
| 11.550 | Public Telecommunication Facilities-Planning and Construction | 1,057,481 |
| 11.550 | Public Telecommunication Facilities-Planning and Construction: From Corp of Public Broadcast | 187,781 |
| 11.555 | Public Safety Interoperable Communications Grant Program | 66,215 |
| 11.609 | Measurement and Engineering Research and Standards | 5,113 |
| 11.999 | Miscellaneous Non-Major Grants | 10,500 |
| TOTAL | | \$1,360,426 |
| PUBLIC WORKS AND E.D. CLUSTER | | |
| 11.307 | Economic Adjustment Assistance | 20,561 |
| TOTAL | | \$20,561 |
| DEPARTMENT OF DEFENSE | | |
| 12.112 | Payments to States in Lieu of Real Estate Taxes | 21,541 |
| 12.400 | Military Construction National Guard | 6,300,759 |
| 12.401 | National Guard Military Operations and Maintenance Projects | 21,742,720 |
| 12.404 | National Guard Civilian Youth Opportunities | 2,285,466 |
| 12.900 | Language Grant Program: From Inst International Ed, Inc | 1,367,767 |
| 12.901 | Mathematical Sciences Grants Program | 44,015 |
| 12.999 | Miscellaneous Non-Major Grants | 92,330 |
| TOTAL | | \$31,854,598 |
| DEPARTMENT OF HOUSING & URBAN DEVELOPMENT | | |
| 14.103 | Interest Reduction Payments Rental and Cooperative Housing for Lower Income Families | 3,125 |
| 14.169 | Housing Counseling Assistance Program | 378,330 |
| 14.231 | Emergency Shelter Grants Program | 389,686 |
| 14.235 | Supportive Housing Program | 62,223 |
| 14.238 | Shelter Plus Care | 80,896 |
| 14.239 | Home Investment Partnerships Program | 3,171,476 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

| | | AMOUNT |
|---|---|---------------------|
| 14.241 | Housing Opportunities for Persons with AIDS | 1,029,052 |
| 14.871 | Section 8 Housing Choice Vouchers | 17,497,297 |
| TOTAL | | \$22,612,085 |
| CDBG - STATE ADMIN. SMALL CITIES CLUSTER | | |
| 14.228 | Community Development Block Grant/States Program | 4,823,646 |
| TOTAL | | \$4,823,646 |
| SECTION 8 PROJECT-BASED CLUSTER | | |
| 14.195 | Section 8 Housing Assistance Payments Program Special Allocations | 18,387,729 |
| 14.856 | Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation | 1,692,637 |
| TOTAL | | \$20,080,366 |
| DEPARTMENT OF THE INTERIOR | | |
| 15.114 | Indian Education: Higher Education Grant Program | 7,330 |
| 15.224 | Cultural Resource Management | 33,886 |
| 15.225 | Recreation Resource Management | 45,707 |
| 15.228 | Wildland Urban Interface Community and Rural Fire Assistance | 581,333 |
| 15.231 | Fish, Wildlife and Plant Conservation Resource Management | 272,886 |
| 15.236 | Environmental Quality and Protection Resource Management | 1,504,546 |
| 15.238 | Challenge Cost Share | 5,314 |
| 15.250 | Regulation Surface Coal Mining and Surface Effects of Underground Coal Mining | 1,125,030 |
| 15.252 | Abandoned Mine Land Reclamation (AMLR) Program | 3,597,714 |
| 15.507 | Water 2025 | 20,373 |
| 15.608 | Fish and Wildlife Management Assistance | 189,881 |
| 15.612 | Endangered Species Section 6 | 123,644 |
| 15.615 | Cooperative Endangered Species Conservation Fund | 1,253,320 |
| 15.623 | North American Wetlands Conservation Fund | (1) |
| 15.631 | National Fire Plan - Rural Fire Assistance | 7,920 |
| 15.632 | Conservation Grants Private Stewardship for Imperiled Species | 25,294 |
| 15.633 | Landowner Incentive | 208,209 |
| 15.634 | State Wildlife Grants | 2,044,904 |
| 15.637 | Migratory Bird Joint Ventures | 30,366 |
| 15.647 | Migratory Bird Conservation | 140,757 |
| 15.805 | Assistance to State Water Resources Research Institutes | 252 |
| 15.808 | U.S. Geological Survey-Research and Data Acquisition | 24,180 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

| | | AMOUNT |
|--------------------------------------|---|---------------------|
| 15.814 | National Geological and Geophysical Data Preservation Program | 11,812 |
| 15.904 | Historic Preservation Fund Grants-in-Aid | 658,175 |
| 15.912 | National Historic Landmark | 12,651 |
| 15.914 | National Register of Historic Places | 12,778 |
| 15.916 | Outdoor Recreation: Acquisition, Development and Planning | 756,878 |
| 15.999 | Miscellaneous Non-Major Grants | 397,103 |
| 15.AA1 | Preserve America | 58,091 |
| 15.BBA | Recreation of Fish and Wildlife Enhancement Facilities | 36,945 |
| 15.BCD | Milk River Field Grant | 27,656 |
| 15.FFC | USFWS Gaging Stations | 18,399 |
| TOTAL | | \$13,233,333 |
| FISH AND WILDLIFE CLUSTER | | |
| 15.605 | Sport Fish Restoration | 7,049,998 |
| 15.611 | Wildlife Restoration | 5,516,272 |
| TOTAL | | \$12,566,270 |
| DEPARTMENT OF JUSTICE | | |
| 16.001 | Law Enforcement Assistance: Narcotics and Dangerous Drugs-Laboratory Analysis | 3,310 |
| 16.523 | Juvenile Accountability Incentive Block Grants | 272,396 |
| 16.525 | Grants to Reduce Violent Crimes Against Women on Campus | 89,574 |
| 16.529 | Education and Training to End Violence Against and Abuse of Women with Disabilities: From MT Col Against Do Vio | 35,214 |
| 16.540 | Juvenile Justice and Delinquency Prevention: Allocation to States | 603,728 |
| 16.543 | Missing Children Assistance: From City of Billings | 18,309 |
| 16.548 | Title V Delinquency Prevention | 69,164 |
| 16.550 | State Justice Statistics Program For Statistical Analysis Centers | 66,354 |
| 16.560 | National Institute of Justice Research, Evaluation, and Development Project Grants | 75,375 |
| 16.575 | Crime Victim Assistance | 1,413,995 |
| 16.576 | Crime Victim Compensation | 273,269 |
| 16.580 | Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Prog | 113,144 |
| 16.585 | Drug Court Discretionary Grant Program | 48,238 |
| 16.588 | Violence Against Women Formula Grants | 840,209 |
| 16.589 | Rural Domestic Violence and Child Victimization Enforcement Grant Program | 158,962 |
| 16.590 | Grants to Encourage Arrest Policies and Enforcement of Protection Orders | 440,369 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

| | AMOUNT |
|--|--------------------|
| 16.593 Residential Substance Abuse Treatment for State Prisoners | 49,394 |
| 16.606 State Criminal Alien Assistance Program | 28,581 |
| 16.607 Bulletproof Vest Partnership Program | 3,195 |
| 16.609 Community Prosecution and Project Safe Neighborhoods | 136,503 |
| 16.710 Public Safety Partnership and Community Policing Grants | 521,839 |
| 16.727 Enforcing Underage Drinking Laws Program | 353,473 |
| 16.735 Protecting Inmates and Safeguarding Communities Discretionary Grant Program | 248,298 |
| 16.738 Edward Byrne Memorial Justice Assistance Grant Program | 638,035 |
| 16.740 Statewide Automated Victim Information Notification (SAVIN) Program | 655,571 |
| 16.742 Paul Coverdell Forensic Sciences Improvement Grant Program | 85,292 |
| 16.744 Anti-Gang Initiative | 106,181 |
| 16.999 Miscellaneous Non-Major Grants | 383,900 |
| TOTAL | \$7,731,872 |

DEPARTMENT OF LABOR

| | |
|---|----------------------|
| 17.002 Labor Force Statistics | 762,808 |
| 17.005 Compensation and Working Conditions Data | 74,041 |
| 17.225 Unemployment Insurance | 222,545,784 |
| 17.225 ARRA Unemployment Insurance | 21,205,940 |
| 17.235 Senior Community Service Employment Program | 620,309 |
| 17.245 Trade Adjustment Assistance-Workers | 2,121,172 |
| 17.261 Employment and Training Administration Pilots, Demonstrations, and Research Projects | 562,913 |
| 17.266 Work Incentive Grants | 449,199 |
| 17.267 Incentive Grants - WIA Section 503 | 105,642 |
| 17.268 H-1B High Growth Job Training Grants | 5,687,161 |
| 17.269 Community Based Job Training Grants | 734,353 |
| 17.271 Work Opportunity Tax Credit Program (WOTC) & Welfare-to-Work Tax Credit (WtWTC) | 71,792 |
| 17.273 Temporary Labor Certification for Foreign Workers | 74,520 |
| 17.504 Consultation Agreements | 438,264 |
| 17.600 Mine Health and Safety Grants | 147,493 |
| TOTAL | \$255,601,391 |

EMPLOYMENT SERVICES CLUSTER

| | |
|---------------------------|-----------|
| 17.207 Employment Service | 5,441,530 |
|---------------------------|-----------|

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

| | | AMOUNT |
|-------------------------------------|---|--------------------|
| 17.207 | Employment Service: From ESC of North Carolina | 3,909 |
| 17.801 | Disabled Veterans Outreach Program (DVOP) | 491,072 |
| 17.804 | Local Veterans' Employment Representative Program | 81,824 |
| TOTAL | | \$6,018,335 |
| WIA CLUSTER | | |
| 17.258 | WIA Adult Program | 2,057,332 |
| 17.258 | ARRA WIA Adult Program | 135,020 |
| 17.259 | WIA Youth Activities | 2,235,377 |
| 17.259 | ARRA WIA Youth Activities | 235,604 |
| 17.260 | WIA Dislocated Workers | 2,448,629 |
| 17.260 | ARRA WIA Dislocated Workers | 209,323 |
| TOTAL | | \$7,321,285 |
| DEPARTMENT OF STATE | | |
| 19.401 | Educational Exchange - University Lecturers (Professors) and Research Scholars | (982) |
| 19.401 | Educational Exchange - University Lecturers (Professors) and Research Scholars: From World Learning | 1,704 |
| 19.408 | Educational Exchange - Teachers from Secondary and Postsecondary Levels: From Amer Cncl for Inter Ed | 10,505 |
| 19.999 | Miscellaneous Grants | 36,620 |
| 19.999 | Miscellaneous Grants: From Amer Cncl for Inter Ed | 72,544 |
| TOTAL | | \$120,391 |
| DEPARTMENT OF TRANSPORTATION | | |
| 20.106 | Airport Improvement Program | 668,440 |
| 20.218 | National Motor Carrier Safety | 2,123,033 |
| 20.231 | Performance and Registration Information Systems Management | 122,780 |
| 20.232 | Commercial Driver License State Programs | 1,344 |
| 20.233 | Border Enforcement Grants | 2,506,368 |
| 20.234 | Safety Data Improvement Program | 89,262 |
| 20.237 | Commercial Vehicle Information Systems and Networks | 50,000 |
| 20.240 | Fuel Tax Evasion-Intergovernmental Enforcement Effort | 93,671 |
| 20.505 | Federal Transit Technical Studies Grant | 446,561 |
| 20.509 | Formula Grants for Other Than Urbanized Areas | 6,671,799 |
| 20.515 | State Planning and Research | 90,207 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

| | | AMOUNT |
|---|---|----------------------|
| 20.607 | Alcohol Open Container Requirements | 165,650 |
| 20.608 | Minimum Penalties for Repeat Offenders for Driving While Intoxicated | (1,719) |
| 20.614 | National Highway Transportation Safety Administration (NHTSA) Discretionary Safety Grants | 75,978 |
| 20.700 | Pipeline Safety | 69,372 |
| 20.703 | Interagency Hazardous Materials Public Sector Training and Planning Grants | 108,790 |
| 20.930 | Payments for Small Community Air Service Development | 30,498 |
| 20.999 | Miscellaneous Non-Major Grants | 25,442 |
| TOTAL | | \$13,337,476 |
| FEDERAL TRANSIT CLUSTER | | |
| 20.500 | Federal Transit Capital Improvement Grants | 51,048 |
| TOTAL | | \$51,048 |
| HIGHWAY PLAN. AND CONST. CLUSTER | | |
| 20.205 | Highway Planning and Construction | 379,897,280 |
| 20.205 | ARRA Highway Planning and Construction | 2,186,091 |
| 20.219 | Recreational Trails Program | 672,315 |
| TOTAL | | \$382,755,686 |
| HIGHWAY SAFETY CLUSTER | | |
| 20.600 | State and Community Highway Safety | 1,614,027 |
| 20.601 | Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants | 2,245,513 |
| 20.602 | Occupant Protection | 440,511 |
| 20.605 | Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons | 150,103 |
| 20.610 | State Traffic Safety Information System Improvement Grants | 494,454 |
| 20.611 | Incentive Grant Program to Prohibit Racial Profiling | 580,309 |
| 20.612 | Incentive Grant Program to Increase Motorcyclist Safety | 85,432 |
| 20.612 | Incentive Grant Program to Increase Motorcyclist Safety: From Montana Dept of Transp | 27,971 |
| TOTAL | | \$5,638,320 |
| TRANSIT SERVICE PROGRAMS CLUSTER | | |
| 20.513 | Capital Assistance Program for Elderly Persons and Persons with Disabilities | 615,979 |
| 20.516 | Job Access Reverse Commute | 1,151,960 |
| TOTAL | | \$1,767,939 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

AMOUNT**DEPARTMENT OF TREASURY**

| | | |
|--------|--------------------------------|------------------|
| 21.999 | Miscellaneous Non-Major Grants | 344,041 |
| | TOTAL | \$344,041 |

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

| | | |
|--------|---|------------------|
| 30.002 | Employment Discrimination-State and Local Fair Employment Practices | 206,731 |
| | TOTAL | \$206,731 |

GENERAL SERVICES ADMINISTRATION

| | | |
|--------|---|------------------|
| 39.003 | Donation of Federal Surplus Personal Property | 144,729 |
| 39.011 | Election Reform Payments | 244,263 |
| | TOTAL | \$388,992 |

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

| | | |
|--------|---|-----------------|
| 43.001 | Aerospace Education Services Program: From Yellow. Eco Research Ctr | 4,402 |
| 43.002 | Technology Transfer | 5,493 |
| 43.002 | Technology Transfer: From College of Charleston | 19,800 |
| | TOTAL | \$29,695 |

NATIONAL ENDOWMENT FOR THE HUMANITIES

| | | |
|--------|--|--------------------|
| 45.024 | Promotion of the Arts-Grants to Organizations and Individuals | 17,611 |
| 45.024 | Promotion of the Arts-Grants to Organizations and Individuals: From Arts Midwest | 20,000 |
| 45.025 | Promotion of the Arts-Partnership Agreements | 708,193 |
| 45.025 | ARRA Promotion of the Arts-Partnership Agreements | 796 |
| 45.129 | Promotion of the Humanities-Federal/State Partnership | 216 |
| 45.129 | Promotion of the Humanities-Federal/State Partnership: From MT Comm of Humanit. | 2,682 |
| 45.129 | Promotion of the Humanities-Federal/State Partnership: From Humanities MT | 13,691 |
| 45.149 | Promotion of the Humanities Division of Preservation and Access | 5,000 |
| 45.303 | Conservation Project Support | 2,987 |
| 45.310 | State Library Program | 1,044,666 |
| 45.313 | Laura Bush 21st Century Librarian Program | 157,755 |
| | TOTAL | \$1,973,597 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

AMOUNT

NATIONAL SCIENCE FOUNDATION

| | | |
|--------------|---|--------------------|
| 47.041 | Engineering Grants | 69,371 |
| 47.049 | Mathematical and Physical Sciences | 85,227 |
| 47.074 | Biological Sciences | 83,357 |
| 47.074 | Biological Sciences: From Salish Kootenai College | 10,000 |
| 47.075 | Social, Behavioral, and Economic Sciences | 107,074 |
| 47.076 | Education and Human Resources | 2,452,662 |
| 47.076 | Education and Human Resources: From Salish Kootenai College | 320,502 |
| TOTAL | | \$3,128,193 |

SMALL BUSINESS ADMINISTRATION

| | | |
|--------------|-------------------------------------|--------------------|
| 59.005 | Internet-Based Technical Assistance | 460,913 |
| 59.037 | Small Business Development Center | 574,739 |
| TOTAL | | \$1,035,652 |

DEPARTMENT OF VETERANS AFFAIRS

| | | |
|--------------|--|--------------------|
| 64.014 | Veterans State Domiciliary Care | 113,114 |
| 64.015 | Veterans State Nursing Home Care | 3,804,294 |
| 64.124 | All-Volunteer Force Educational Assistance | 147,714 |
| 64.203 | State Cemetery Grants | 1,650,030 |
| TOTAL | | \$5,715,152 |

ENVIRONMENTAL PROTECTION AGENCY

| | | |
|--------|---|---------|
| 66.034 | Surveys, Studies, Invest., Demonst and Special Purp Act Relating to the Clean Air Act | 4,582 |
| 66.040 | State Clean Diesel Grant Program | 36,789 |
| 66.040 | ARRA State Clean Diesel Program | 3,483 |
| 66.202 | Congressionally Mandated Projects | 251,300 |
| 66.419 | Water Pollution Control-State and Interstate Program Support | 18,937 |
| 66.433 | State Underground Water Source Protection | 106,474 |
| 66.436 | Surveys, Studies, Investigations & Demonstrations of the Clean Water Act | 17,229 |
| 66.439 | Targeted Watersheds Grants: From Trees Water and People | 73,730 |
| 66.454 | Water Quality Management Planning | 100,002 |

State of Montana
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| | AMOUNT |
|---|---------------------|
| 66.458 Capitalization Grants For State Revolving Funds | 9,278,037 |
| 66.458 ARRA Capitalization Grants For State Revolving Funds | 25,517 |
| 66.460 Nonpoint Source Implementation Grants | 2,635,796 |
| 66.461 Regional Wetland Program Development Grants | 255,122 |
| 66.467 Wastewater Operator Training Grant Program (Technical Assistance) | 15,860 |
| 66.468 Capitalization Grants for Drinking Water State Revolving Fund | 8,033,002 |
| 66.468 ARRA Capitalization Grants for Drinking Water State Revolving Fund | 126,070 |
| 66.471 State Grants to Reimburse Operators of Small Water Sys for Training Certification Costs | 265,449 |
| 66.474 Water Protection Grants to the States | 66,847 |
| 66.511 Office of Research and Development Consolidated Research/Training/Fellowships: From Amer. Assoc of Pesticide | 861 |
| 66.514 Science To Achieve Results (STAR) Fellowship Program | 28,211 |
| 66.605 Performance Partnership Grants | 5,538,445 |
| 66.608 One Stop Reporting | 295,045 |
| 66.708 Pollution Prevention Grants Program | 5,556 |
| 66.717 Source Reduction Assistance | 8,215 |
| 66.802 Superfund State, Political Subdivision, and Indian Tribe Site - Specific Coop. | 4,042,061 |
| 66.804 State Underground Storage Tanks Program | 321,007 |
| 66.805 Leaking Underground Storage Tank Trust Fund Program | 1,025,608 |
| 66.809 Superfund State and Indian Tribe Core Program Cooperative Agreements | 212,346 |
| 66.817 State and Tribal Response Program Grants | 762,214 |
| 66.951 Environmental Education Grants | 150 |
| 66.999 Miscellaneous Non-Major Grants | 14,736 |
| TOTAL | \$33,568,681 |

DEPARTMENT OF ENERGY

| | |
|---|-----------|
| 81.041 State Energy Program | 313,982 |
| 81.041 ARRA State Energy Program | 183 |
| 81.041 State Energy Program: From Washington State Univ. | 42,327 |
| 81.042 Weatherization Assistance for Low-Income Persons | 4,799,715 |
| 81.049 Office of Science Financial Assistance Program: From Inland NW Research All. | 20,771 |
| 81.086 Conservation Research and Development | 2,413,121 |
| 81.086 Conservation Research and Development: From Kootenai tribe of Idaho | 54,898 |

State of Montana
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| | | AMOUNT |
|--------------|--|--------------------|
| 81.117 | Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training | 67,251 |
| TOTAL | | \$7,712,248 |

DEPARTMENT OF EDUCATION

| | | |
|--------|--|------------|
| 84.002 | Adult Education - State Grant Program | 1,364,655 |
| 84.010 | Title I Grants To Local Education Agencies | 41,817,594 |
| 84.011 | Migrant Education - Basic State Grant Program | 1,122,715 |
| 84.013 | Title I Program for Neglected and Delinquent Children | 102,223 |
| 84.016 | Undergraduate International Studies and Foreign Language | 19,306 |
| 84.017 | International Research and Studies | 148,245 |
| 84.048 | Vocational Education - Basic Grants to States | 5,140,017 |
| 84.048 | Vocational Education - Basic Grants to States: From Flathead Valley C.C. | 115 |
| 84.069 | Leveraging Educational Assistance Partnership | 189,516 |
| 84.083 | Women's Educational Equity Act Program | 24,437 |
| 84.116 | Fund for the Improvement of Postsecondary Education | 1,995,572 |
| 84.116 | Fund for the Improvement of Postsecondary Education: From Iowa State Univ. | 13,523 |
| 84.128 | Rehabilitation Services-Service Projects | 156,703 |
| 84.129 | Rehabilitation Long-Term Training | 141,116 |
| 84.133 | National Institute on Disability and Rehabilitation Research | 435,107 |
| 84.133 | National Institute on Disability and Rehabilitation Research: From Oregon Health Sci Univ. | 2,568 |
| 84.144 | Migrant Education - Coordination Program(B) | 225,268 |
| 84.169 | Independent Living-State Grants | 294,806 |
| 84.177 | Rehabilitation Services-Independent Living Services for Older Individuals/Blind | 298,051 |
| 84.185 | Byrd Honors Scholarships | 114,675 |
| 84.186 | Safe and Drug-Free Schools and Communities - State Grants | 1,372,234 |
| 84.187 | Supported Employment Services for Individuals with Severe Disabilities | 265,507 |
| 84.196 | Education for Homeless Children and Youth | 207,574 |
| 84.213 | Even Start - State Educational Agencies | 342,701 |
| 84.215 | Fund for Improvement of Education | 1,061,200 |
| 84.215 | Fund for Improvement of Education: From Twin Bridges School | 43,924 |
| 84.224 | State Grants for Assistive Technology | 601,997 |
| 84.224 | State Grants for Assistive Technology: From Assist Tech Act Progs | 18,197 |
| 84.243 | Tech-Prep Education | 444,692 |

State of Montana
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| | AMOUNT |
|---|---------------------|
| 84.265 Rehabilitation Training-State Vocational Rehabilitation Unit In-Service | 49,599 |
| 84.287 Twenty-First Century Community Learning Centers | 4,783,670 |
| 84.293 Foreign Language Assistance | 54,876 |
| 84.298 State Grants for Innovative Programs | 222,824 |
| 84.299 Indian Education - Special Programs | 606,396 |
| 84.318 Education Technology State Grants | 1,203,668 |
| 84.323 Special Education - State Program Improvement Grants for Children with Disabilities | 714,091 |
| 84.325 Special Education - Personnel Preparation to Improve Services and Results for Children | 606,762 |
| 84.326 Special Education - Technical Assistance and Dissemination to Improve Services and Results | 207,775 |
| 84.326 Special Education - Technical Assistance and Dissemination to Improve Services and Results: From CA State University | 88,518 |
| 84.330 Advanced Placement Program | 26,772 |
| 84.331 Grants to States for Incarcerated Youth Offenders | 11,112 |
| 84.334 Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) | 2,829,474 |
| 84.335 Child Care Access Means Parents in School | 52,754 |
| 84.336 Teacher Quality Enhancement Grants | 555,389 |
| 84.357 Reading First State Grants | 1,717,628 |
| 84.358 Rural Education | 175,820 |
| 84.365 English Language Acquisition Grants | 479,226 |
| 84.366 Mathematics and Science Partnerships | 993,642 |
| 84.367 Improving Teacher Quality State Grants | 13,191,205 |
| 84.367 Improving Teacher Quality State Grants: From MT Learning Center | 6,204 |
| 84.368 Grants for Enhanced Assessment Instruments | 889,058 |
| 84.369 Grants for State Assessments and Related Activities | 4,662,984 |
| 84.373 Special Education -Technical Assistance on State Data Collection | 306,052 |
| 84.377 School Improvement Grants | 1,377,795 |
| 84.998 American Printing House for the Blind | 3,104 |
| 84.999 Miscellaneous Non-Major Grants | 122,043 |
| 84.999 Miscellaneous Non-Major Grants: From Univ of CA - Nat Writ Prj | 77,138 |
| 84.999 Miscellaneous Non-Major Grants | 42,868 |
| 84.999 Miscellaneous Non-Major Grants: From Flathead Valley C.C. | 31,160 |
| TOTAL | \$94,053,845 |

State of Montana
Schedule of Expenditures of Federal Awards
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AMOUNT

EARLY INTERVENTION SERVICES (IDEA) CLUSTER

| | | |
|--------------|---|--------------------|
| 84.181 | Special Education-Grants for Infants and Families with Disabilities | 1,947,793 |
| TOTAL | | \$1,947,793 |

SPECIAL EDUCATION CLUSTER

| | | |
|--------------|--------------------------------------|---------------------|
| 84.027 | Special Education - Grants to States | 34,491,117 |
| 84.173 | Special Education - Preschool Grants | 1,143,959 |
| TOTAL | | \$35,635,076 |

STUDENT FINANCIAL ASSISTANCE CLUSTER

| | | |
|--------------|---|---------------------|
| 84.007 | Federal Supplemental Educational Opportunity Grants | 1,733,319 |
| 84.032 | Federal Family Education Loans | 2,079,541 |
| 84.033 | Federal Work - Study Program | 2,278,138 |
| 84.038 | Federal Perkins Loan Program - Federal Capital Contributions | 138,436 |
| 84.063 | Federal Pell Grant Program | 34,609,785 |
| 84.375 | Academic Competitiveness Grants | 748,982 |
| 84.376 | National Science and Mathematics Access to Retain Talent (SMART) Grants | 689,250 |
| 93.342 | Health Professions Student Loans, Including Primary Care Loans | 159 |
| 93.364 | Nursing Student Loan Program | 4,592 |
| 93.925 | Scholarships for Health Professions Students from Disadvantaged Backgrounds | 436,090 |
| TOTAL | | \$42,718,292 |

TRIO CLUSTER

| | | |
|--------------|--------------------------------------|--------------------|
| 84.042 | TRIO-Student Support Services | 1,602,611 |
| 84.044 | TRIO-Talent Search | 1,107,655 |
| 84.047 | TRIO-Upward Bound | 2,064,998 |
| 84.066 | TRIO-Educational Opportunity Centers | 513,582 |
| TOTAL | | \$5,288,846 |

VOCATIONAL REHABILITATION CLUSTER

| | | |
|--------------|--|---------------------|
| 84.126 | Rehabilitation Services-Vocational Rehabilitation Grants to States | 10,448,380 |
| TOTAL | | \$10,448,380 |

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION

| | | |
|--------------|---|----------------|
| 89.003 | National Historical Publications and Records Grants | 8,990 |
| TOTAL | | \$8,990 |

State of Montana
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AMOUNT

ELECTION ASSISTANCE COMMISSION

| | | |
|--------------|---|------------------|
| 90.401 | Help America Vote Act Requirements Payments | 728,312 |
| 90.402 | Help America Vote Mock Election Program | 19,255 |
| TOTAL | | \$747,567 |

DEPARTMENT OF HEALTH AND HUMAN SERVICES

| | | |
|--------|--|-----------|
| 93.003 | Public Health and Social Services Emergency Fund | 2,024,558 |
| 93.041 | Special Programs for the Aging-Title VII, Chapter 3-Programs for Prevention | 32,890 |
| 93.042 | Special Programs for the Aging-Title VII, Chapter 2-LongTerm Care Ombudsman Services | 74,719 |
| 93.043 | Special Programs for the Aging-Title III, Part D - DiseasePrevention/Health Promotion Serv | 104,078 |
| 93.048 | Special Programs for the Aging - Title IV and Title II Discretionary Projects | 86,292 |
| 93.052 | Nation Family Caregiver Support Program | 733,664 |
| 93.064 | Laboratory Training, Evaluation, and Quality Assurance Programs | 199,012 |
| 93.104 | Comprehensive Community Mental Health Services for Children with Ser Emoti Disturb (SED) | 768,124 |
| 93.110 | Maternal and Child Health Federal Consolidated Programs | 247,478 |
| 93.110 | Maternal and Child Health Federal Consolidated Programs: From Utah State University | 7,992 |
| 93.116 | Project Grant and Cooperative for Tuberculosis Control Program | 184,028 |
| 93.127 | Emergency Medical Services for Children | 153,625 |
| 93.130 | Primary Care Services-Resource Coordination and Development | 156,777 |
| 93.150 | Projects for Assistance in Transition from Homelessness (PATH) | 299,290 |
| 93.157 | Centers of Excellence | 575 |
| 93.161 | Health Program for Toxic Substances and Disease Registry | 175,127 |
| 93.184 | Disabilities Prevention | 412,310 |
| 93.217 | Family Planning Services | 2,390,328 |
| 93.234 | Traumatic Brain Injury-State Demonstration Grant Program | 88,167 |
| 93.241 | State Rural Hospital Flexibility Program | 542,577 |
| 93.243 | Substance Abuse and Mental Health Services-Projects of Regional and National Significance | 4,219,707 |
| 93.243 | Substance Abuse and Mental Health Services-Projects of Regional and National Significance | 24,177 |
| 93.249 | Public Health Training Centers Grant Program: From Univ. of Washington | 14,025 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

| | AMOUNT |
|---|---------------|
| 93.251 Universal Newborn Hearing Screening | 148,355 |
| 93.262 Occupational Safety and Health Program | 104,670 |
| 93.264 Nurse Faculty Loan Program (NFLP) | 34,183 |
| 93.279 Drug Abuse Research Programs | 27,274 |
| 93.283 Centers for Disease Control and Prevention-Investigations and Technical Assistance | 13,059,461 |
| 93.307 Minority Health and Health Disparities Research | 9,062,500 |
| 93.361 Nursing Research: From Wash. State Univ. | 93,214 |
| 93.389 National Center for Research Resources | 243,853 |
| 93.448 Food Safety and Security Monitoring Project | 55,728 |
| 93.449 Ruminant Feed Ban Support Project | 25,433 |
| 93.556 Promoting Safe and Stable Families | 644,575 |
| 93.563 Child Support Enforcement | 8,387,370 |
| 93.563 ARRA Child Support Enforcement | 1,646,913 |
| 93.566 Refugee and Entrant Assistance-State Administered Programs | 41,234 |
| 93.568 Low Income Home Energy Assistance | 26,821,098 |
| 93.586 State Court Improvement Program | 260,657 |
| 93.590 Community-Based Family Resource and Support Grants | 202,183 |
| 93.597 Grants to States for Access and Visitation Programs | 102,179 |
| 93.599 Chafee Education and Training Vouchers Program (ETV) | 204,972 |
| 93.603 Adoption Incentive Payments | 23,733 |
| 93.617 Voting Access for Individuals with Disabilities - Grants to States | 100,000 |
| 93.618 Voting Access for Individuals with Disabilities-Grants for Protection and Advocacy Systems | 26,916 |
| 93.630 Developmental Disabilities Basic Support and Advocacy Grants | 725,646 |
| 93.630 Developmental Disabilities Basic Support and Advocacy Grants: From Mt Council on Dev. Dis. | 98,610 |
| 93.631 Developmental Disabilities Projects of National Significance | 53,606 |
| 93.632 University Centers for Excellence in Developmental Disabilities Education, Res, and Ser. | 500,982 |
| 93.643 Children's Justice Grants to States | 76,125 |
| 93.645 Child Welfare Service-State Grant | 710,579 |
| 93.658 Foster Care Title IV-E | 12,373,187 |
| 93.658 ARRA Foster Care Title IV-E | 260,240 |
| 93.659 Adoption Assistance | 7,143,139 |
| 93.659 ARRA Adoption Assistance | 349,896 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

| | | AMOUNT |
|----------------------|---|----------------------|
| 93.667 | Social Services Block Grant | 8,375,729 |
| 93.669 | Child Abuse and Neglect State Grants | 80,407 |
| 93.671 | Family Violence Prevention and Services/Grants for Battered Women's Shelters | 717,247 |
| 93.674 | Chafee Foster Care Independence Program | 431,153 |
| 93.767 | State Children's Insurance Program | 30,242,951 |
| 93.768 | Medicaid Infrastr, Grants To Support the Competitive Employ of People with Disabilities | 489,896 |
| 93.789 | Alternatives to Psychiatric Residential Treatment Facilities for Children | 206,739 |
| 93.793 | Medicaid Transformation Grants | 781,540 |
| 93.913 | Grants to States for Operation of Offices of Rural Health | 150,071 |
| 93.917 | HIV Care Formula Grants | 827,125 |
| 93.919 | Cooperative Agreements for State-Based Breast and Cervical Cancer Early Detection | 1,459 |
| 93.938 | Cooperative Agreements to Support School Health Programs | 241,012 |
| 93.940 | HIV Prevention Activities-Health Department Based | 1,177,123 |
| 93.944 | HIV/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance | 95,140 |
| 93.958 | Block Grants for Community Mental Health Services | 1,174,437 |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse | 6,594,058 |
| 93.969 | Geriatric Education Centers | 350,631 |
| 93.970 | Health Professions Recruitment Program for Indians | 127,338 |
| 93.977 | Preventive Health Services-Sexually Transmitted Diseases Control Grants | 361,400 |
| 93.988 | Cooperative Agreements for State-Based Diabetes Control Programs and Evaluations | 565,406 |
| 93.991 | Preventive Health and Health Services Block Grant | 663,872 |
| 93.994 | Maternal and Child Health Services Block Grant to the States | 2,357,135 |
| 93.996 | Bioterrorism Training and Curriculum Development Program: From St Vincent Health | 63,353 |
| 93.999 | Miscellaneous Non-Major Grants | 58,860 |
| TOTAL | | \$152,682,113 |
| AGING CLUSTER | | |
| 93.044 | Special Programs for the Aging-Title III, Part B-Supportive Services and Senior Centers | 1,888,053 |
| 93.045 | Special Programs for the Aging-Title III, Part C-Nutrition Services | 2,934,520 |
| 93.053 | Nutrition Services Incentive Program | 1,169,760 |
| TOTAL | | \$5,992,333 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

AMOUNT

CCDF CLUSTER

| | | |
|--------------|---|---------------------|
| 93.575 | Child Care and Development Block Grant | 12,953,011 |
| 93.575 | ARRA Child Care and Development Block Grant | 155,660 |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development | 6,621,115 |
| 93.713 | ARRA - Child Care and Development Block Grant | 514,061 |
| TOTAL | | \$20,243,847 |

CSBG CLUSTER

| | | |
|--------------|---------------------------------------|--------------------|
| 93.569 | Community Services Block Grant | 3,242,464 |
| 93.710 | ARRA - Community Services Block Grant | 197,323 |
| TOTAL | | \$3,439,787 |

HEAD START CLUSTER

| | | |
|--------------|------------|------------------|
| 93.600 | Head Start | 120,966 |
| TOTAL | | \$120,966 |

IMMUNIZATION CLUSTER

| | | |
|--------------|--------------------|--------------------|
| 93.268 | Immunization Grant | 7,689,890 |
| TOTAL | | \$7,689,890 |

MEDICAID CLUSTER

| | | |
|--------------|---|----------------------|
| 93.775 | State Medicaid Fraud Control Units | 508,200 |
| 93.777 | State Survey and Certification of Health Care Providers and Suppliers | 2,490,722 |
| 93.778 | Medical Assistance Program | 624,001,869 |
| 93.778 | ARRA Medical Assistance Program | 60,991,608 |
| TOTAL | | \$687,992,399 |

TANF CLUSTER

| | | |
|--------------|--|---------------------|
| 93.558 | Temporary Assistance for Needy Families (TANF) | 25,976,702 |
| TOTAL | | \$25,976,702 |

CORPORATION FOR NATIONAL & COMMUNITY SERVICE

| | | |
|--------|---|-----------|
| 94.003 | State Commissions | 145,134 |
| 94.004 | Learn and Serve America-School and Community Based Programs | 213,148 |
| 94.006 | AmeriCorps | 2,418,357 |
| 94.006 | ARRA AmeriCorps | 122,584 |
| 94.006 | AmeriCorps: From Western Wash. Univ. | 19,651 |
| 94.006 | AmeriCorps: From Western Wash. Univ. | 11,244 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

| | | AMOUNT |
|---|---|--------------------|
| 94.006 | AmeriCorps: From Various | 3,438 |
| 94.007 | Planning and Program Development Grants | 106,296 |
| 94.007 | Planning and Program Development Grants: From Denver Options | 14,483 |
| 94.009 | Training and Technical Assistance | 95,372 |
| 94.013 | Volunteers in Service to America | 807,843 |
| TOTAL | | \$3,957,550 |
| SOCIAL SECURITY ADMINISTRATION | | |
| 96.007 | Social Security Research and Demonstration | 55,079 |
| 96.008 | Social Security-Benefits Planning, Assistance, and Outreach Program | 65,821 |
| 96.999 | Miscellaneous Non-Major Grants: From Griffin - Hammis Assoc | 23,641 |
| TOTAL | | \$144,541 |
| DISABILITY INSURANCE/SSI CLUSTER | | |
| 96.001 | Social Security - Disability Insurance | 6,609,984 |
| TOTAL | | \$6,609,984 |
| HOMELAND SECURITY | | |
| 97.001 | Pilot Demonstration or Earmarked Projects | 36,932 |
| 97.012 | Boating Safety Financial Assistance | 471,567 |
| 97.017 | Pre-Disaster Mitigation (PDM) Competitive Grants | 3,388,308 |
| 97.021 | Hazardous Materials Assistance Program | 9,433 |
| 97.023 | Community Assistance Program State Support Services Element (CAP-SSSE) | 110,548 |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 2,907,313 |
| 97.041 | National Dam Safety Program | 111,835 |
| 97.042 | Emergency Management Performance Grants | 1,759,418 |
| 97.043 | State Fire Training Systems Grants | 2,421 |
| 97.044 | Assistance to Firefighters Grant | (230) |
| 97.045 | Cooperating Technical Partners | 444,985 |
| 97.046 | Fire Management Assistance Grant | 69,224 |
| 97.070 | Map Modernization Management Support | 110,307 |
| 97.078 | Buffer Zone Protection Plan (BZPP) | 208,532 |
| 97.107 | National Incident Management System (NIMS) | 7,036 |
| TOTAL | | \$9,637,629 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

AMOUNT

HOMELAND SECURITY CLUSTER

| | | |
|--------|---------------------------------|----------------------------|
| 97.067 | Homeland Security Grant Program | 11,082,563 |
| | <i>TOTAL</i> | <u>\$11,082,563</u> |

OTHER FEDERAL

| | | |
|--------|--|-------------------------|
| 32.001 | Communications Information and Assistance and Investigation of Complaints: From Corp of Public Broadcast | 212,219 |
| 99.999 | Other Federal | 46,643 |
| 99.999 | Other Federal: From Nat. Film Preservation | 5,980 |
| 99.999 | Other Federal: From Metro. College of Denver | 10,000 |
| | <i>TOTAL</i> | <u>\$274,842</u> |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

AMOUNT

RESEARCH AND DEVELOPMENT CLUSTER

DEPARTMENT OF AGRICULTURE

| | | |
|--------|--|-----------|
| 10.001 | Agricultural Research-Basic and Applied Research | 71,507 |
| 10.001 | Agricultural Research-Basic and Applied Research: From Purdue University | 7,363 |
| 10.025 | Plant and Animal Disease, Pest Control, and Animal Care | 417,046 |
| 10.200 | Grants for Agricultural Research, Special Research Grants | 1,883,485 |
| 10.200 | Grants for Agricultural Research, Special Research Grants: From Univ. of Washington | 23,186 |
| 10.200 | Grants for Agricultural Research, Special Research Grants: From Utah State University | 71,786 |
| 10.200 | Grants for Agricultural Research, Special Research Grants: From University of Idaho | 76,496 |
| 10.200 | Grants for Agricultural Research, Special Research Grants: From New Mexico State Univ. | 187,213 |
| 10.200 | Grants for Agricultural Research, Special Research Grants: From Oregon State Univ. | 14,710 |
| 10.200 | Grants for Agricultural Research, Special Research Grants: From S. Dakota State Univ. | 3,980 |
| 10.200 | Grants for Agricultural Research, Special Research Grants: From North Dakota State Univ. | 337 |
| 10.200 | Grants for Agricultural Research, Special Research Grants: From Univ. of Calif. Davis | (345) |
| 10.200 | Grants for Agricultural Research, Special Research Grants: From Univ of Wisconsin | 1,808 |
| 10.200 | Grants for Agricultural Research, Special Research Grants: From Colorado State Univ. | 7,895 |
| 10.203 | Payments to Agricultural Experiment Stations Under the Hatch Act | 2,668,960 |
| 10.206 | Grants for Agricultural Research-Competitive Research Grants | 1,572,194 |
| 10.206 | Grants for Agricultural Research-Competitive Research Grants: From Colorado State Univ. | 51,653 |
| 10.206 | Grants for Agricultural Research-Competitive Research Grants: From Univ. of Calif. Davis | 107,023 |
| 10.206 | Grants for Agricultural Research-Competitive Research Grants: From Univ. of Minnesota | 24,709 |
| 10.206 | Grants for Agricultural Research-Competitive Research Grants: From Utah State University | 93,208 |
| 10.206 | Grants for Agricultural Research-Competitive Research Grants: From Univ. of Idaho | 18,800 |
| 10.207 | Animal Health and Disease Research | 69,166 |
| 10.210 | Food and Agriculture Sciences National Needs | 45,000 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

AMOUNT

| | | |
|--------|---|---------|
| 10.212 | Small Business Innovation Research: From MT Microbial Products | 651 |
| 10.215 | Sustainable Agriculture Research and Education | 26,175 |
| 10.215 | Sustainable Agriculture Research and Education: From Utah State University | 129,734 |
| 10.215 | Sustainable Agriculture Research and Education: From Univ. of Wyoming | 9,879 |
| 10.217 | Higher Education Challenge Grants | 212,346 |
| 10.224 | Fund for Rural America-Research, Education, and Extension Activities: From Fort Peck College | (11) |
| 10.227 | 1994 Institutions Research Program: From Fort Peck College | 4,303 |
| 10.227 | 1994 Institutions Research Program: From Salish Kootenai College | 32,373 |
| 10.227 | 1994 Institutions Research Program: From Fort Belknap College | 21,370 |
| 10.227 | 1994 Institutions Research Program: From Chief Dull Knife C.C. | 596 |
| 10.250 | Agricultural and Rural Economic Research | 239,440 |
| 10.250 | Agricultural and Rural Economic Research: From University of Arizona | 29,657 |
| 10.250 | Agricultural and Rural Economic Research: From Colorado State Univ. | 13,065 |
| 10.303 | Integrated Programs | 339,364 |
| 10.303 | Integrated Programs: From Colorado State Univ. | 109,091 |
| 10.303 | Integrated Programs: From Univ. of Calif. Davis | 46,096 |
| 10.303 | Integrated Programs: From Salish Kootenai College | 10,554 |
| 10.304 | Homeland Security - Agricultural: From Kansas State Univ. | 43,616 |
| 10.305 | International Science and Education Grants | 52,200 |
| 10.352 | Value-Added Producer Grants: From Iowa State Univ | 24,447 |
| 10.352 | Value-Added Producer Grants: From Kansas State Univ. | 17,486 |
| 10.443 | Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers: From Little Big Horn College | 2,348 |
| 10.443 | Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers: From Fort Peck College | 1,679 |
| 10.455 | Community Outreach and Assistance Partnership Program | 19,700 |
| 10.455 | Community Outreach and Assistance Partnership Program: From Fort Peck College | (2,497) |
| 10.456 | Rural Community Development Initiative | 132,898 |
| 10.456 | Rural Community Development Initiative: From Nat.Center for App Tech. | 52,279 |
| 10.500 | Cooperative Extension Service | 598,176 |
| 10.500 | Cooperative Extension Service: From Wash. State Univ. | 7,312 |
| 10.500 | Cooperative Extension Service: From Univ. of Wyoming | 9,216 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

| | AMOUNT |
|--|---------------------|
| 10.500 Cooperative Extension Service: From Kansas State Univ. | 84,613 |
| 10.500 Cooperative Extension Service: From North Carolina State U. | (585) |
| 10.500 Cooperative Extension Service: From Univ. of Georgia | 2,682 |
| 10.500 Cooperative Extension Service: From Auburn University | 5,153 |
| 10.500 Cooperative Extension Service: From Univ. of Calif. Davis | 17,007 |
| 10.579 Child Nutrition Discretionary Grants Limited Availability: From Fort Belknap Council | 5,547 |
| 10.652 Forestry Research | 3,582,456 |
| 10.652 Forestry Research: From National Forest Foundat. | 35,000 |
| 10.652 Forestry Research: From Arthur Carhart | 70,240 |
| 10.652 Forestry Research: From Nat. Fish & Wildlife | 70,124 |
| 10.652 Forestry Research: From Nature Conservancy | 2,735 |
| 10.652 Forestry Research: From SUNY Research Inst. | 1,853 |
| 10.664 Cooperative Forestry Assistance | 66,059 |
| 10.664 Cooperative Forestry Assistance: From University of Idaho | 29,329 |
| 10.672 Rural Development, Forestry, and Communities | 5,312 |
| 10.674 Forest Products Lab: Technology Marketing Unit: From MT Comm Dev. Corp. | 53 |
| 10.680 Forest Health Protection | 27,391 |
| 10.762 Solid Waste Management Grants | 8,321 |
| 10.856 1890 Land Grant Institutions Rural Entrepreneurial Outreach Program: From Fort Peck College | 36,809 |
| 10.859 Assistance to High Energy Cost Rural Communities: From Univ. of Nebraska | 13 |
| 10.902 Soil and Water Conservation | 30,045 |
| 10.912 Environmental Quality Incentives Program | 87,754 |
| 10.960 Technical Agricultural Assistance | 48,646 |
| 10.961 Scientific Cooperation and Research | 76 |
| 10.999 Miscellaneous Non-Major Grants | 105,983 |
| TOTAL | \$13,923,339 |

DEPARTMENT OF COMMERCE

| | |
|--|--------|
| 11.302 Economic Development Support for Planning Organizations | 66,386 |
| 11.427 Fisheries Development & Utilization Research | 40,177 |
| 11.431 Climate and Atmospheric Research | 37,670 |
| 11.431 Climate and Atmospheric Research: From Anasphere Inc. | 8,249 |

State of Montana
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| | | AMOUNT |
|----------------------------------|--|------------------|
| 11.437 | Pacific Fisheries Data Program | (14) |
| 11.440 | Environmental Sciences, Applications, Data, and Education | 9,934 |
| 11.463 | Habitat Conservation: From Mississippi State Univ. | 3,155 |
| 11.611 | Manufacturing Extension Partnership | 558,500 |
| 11.999 | Miscellaneous Non-Major Grants | 39,051 |
| TOTAL | | \$763,108 |
| DEPARTMENT OF DEFENSE | | |
| 12.002 | Procurement Technical Assistance For Business Firms | 4,352,269 |
| 12.002 | Procurement Technical Assistance For Business Firms: From Juneau Econ Dev Cncl | 47,701 |
| 12.106 | Flood Control Projects | 11,142 |
| 12.109 | Protection, Clearing and Straightening Channels: From Aerdoyne Research Inc. | 18,837 |
| 12.114 | Collaborative Research and Development | 1,677,308 |
| 12.114 | Collaborative Research and Development: From DANTES -Ed Support | 57,707 |
| 12.300 | Basic and Applied Scientific Research | 2,362,127 |
| 12.300 | Basic and Applied Scientific Research: From Ligocyte Pharm | (171) |
| 12.300 | Basic and Applied Scientific Research: From Concurrent Tech. Inc. | 1,142 |
| 12.300 | Basic and Applied Scientific Research: From Aerdoyne Research Inc. | 54 |
| 12.300 | Basic and Applied Scientific Research: From Texas A&M Univ. | 8,177 |
| 12.300 | Basic and Applied Scientific Research: From Advanced Accoust. Conc. | 227,071 |
| 12.300 | Basic and Applied Scientific Research: From M&T Cp. | 51,911 |
| 12.300 | Basic and Applied Scientific Research: From Edison Welding | 290,522 |
| 12.420 | Military Medical Research and Development | 135,233 |
| 12.420 | Military Medical Research and Development: From US Army Med. Res Acq | 162,716 |
| 12.431 | Basic Scientific Research | 950,624 |
| 12.630 | Basic, Applied, and Advanced Research in Science and Engineering | 327,556 |
| 12.630 | Basic, Applied, and Advanced Research in Science and Engineering: From Advanced Accoust. Conc. | 21,545 |
| 12.630 | Basic, Applied, and Advanced Research in Science and Engineering: From Aerdoyne Research Inc. | 29,999 |
| 12.800 | Air Force Defense Research Sciences Program | 782,993 |
| 12.800 | Air Force Defense Research Sciences Program: From S. Dakota Sch of Mines | 112,185 |
| 12.800 | Air Force Defense Research Sciences Program: From Princeton University | 37,537 |
| 12.800 | Air Force Defense Research Sciences Program: From Universal Tech. Corp | 40,940 |

State of Montana
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| | AMOUNT |
|---|---------------------|
| 12.800 Air Force Defense Research Sciences Program: From GATR Technologies | 13,526 |
| 12.800 Air Force Defense Research Sciences Program: From ALD Nanosolutions | 35,253 |
| 12.800 Air Force Defense Research Sciences Program: From Universal Tech. Corp | 125,575 |
| 12.800 Air Force Defense Research Sciences Program: From Bridger Photonics | 5,809 |
| 12.800 Air Force Defense Research Sciences Program: From THY Enterprise. Inc. | 6,459 |
| 12.910 Reseach and Technology Development | 257,082 |
| 12.910 Reseach and Technology Development: From Missile Defense Sys. | 579,883 |
| 12.910 Reseach and Technology Development: From Rutgers University | 13,310 |
| 12.910 Reseach and Technology Development: From S2 CORP | 16,193 |
| 12.910 Reseach and Technology Development: From Alutiiq Security | 20,395 |
| 12.999 Miscellaneous Non-Major Grants: From Nat. Recon. Office | 185,272 |
| 12.999 Miscellaneous Non-Major Grants: From Colorado State Univ. | 87,434 |
| 12.999 Miscellaneous Non-Major Grants: From DPRA Inc | 14,954 |
| TOTAL | \$13,068,270 |

DEPARTMENT OF HOUSING & URBAN DEVELOPMENT

| | |
|--|-----------------|
| 14.910 ARRA Healthy Homes Technical Studies Grants | 16,855 |
| TOTAL | \$16,855 |

DEPARTMENT OF THE INTERIOR

| | |
|--|---------|
| 15.199 Tongue River Rehabilitation Grant: From Nez Perce Tribe | 7,377 |
| 15.222 Cooperative Inspection Agreements with States and Tribes | 326,696 |
| 15.224 Cultural Resource Management | 852,260 |
| 15.230 Invasive and Noxious Plant Management | 99,538 |
| 15.231 Fish, Wildlife and Plant Conservation Resource Management | 340,116 |
| 15.231 Fish, Wildlife and Plant Conservation Resource Management: From Nat Fish & Wild. Found. | 8,805 |
| 15.234 Secure Rural Schools and Community Self-Determination | 13,705 |
| 15.238 Challenge Cost Share: From Washington State Univ. | 9,498 |
| 15.252 Abandoned Mine Land Reclamation (AMLR) Program | 2,858 |
| 15.517 Fish and Wildlife Coordination Act | 19,313 |
| 15.524 Recreation Resources Management | 4,767 |
| 15.608 Fish and Wildlife Management Assistance | 84,610 |
| 15.608 Fish and Wildlife Management Assistance: From Washington State Univ. | 6,636 |

State of Montana
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| | | AMOUNT |
|--------------|---|--------------------|
| 15.608 | Fish and Wildlife Management Assistance: From Nat Fish & Wild. Found. | 23,805 |
| 15.611 | Wildlife Restoration | 44,261 |
| 15.615 | Cooperative Endangered Species Conservation Fund | 248,189 |
| 15.615 | Cooperative Endangered Species Conservation Fund: From CA Fish and Game | 49,194 |
| 15.634 | State Wildlife Grants | 5,293 |
| 15.642 | Challenge Cost Share | 30,000 |
| 15.699 | USDI/Fish & Wildlife Service: From Nez Perce Tribe | 34,527 |
| 15.805 | Assistance to State Water Resources Research Institutes | 102,246 |
| 15.807 | Earthquake Hazards Reduction Program | 59,131 |
| 15.808 | ARRA U.S. Geological Survey-Research and Data Acquisition | 2,192 |
| 15.808 | U.S. Geological Survey-Research and Data Acquisition | 595,677 |
| 15.808 | U.S. Geological Survey-Research and Data Acquisition: From America View Inc. | 41,311 |
| 15.809 | National Spatial Data Infrastructure Competitive Cooperative Agreements Program | 4,957 |
| 15.810 | National Cooperative Geologic Mapping Program | 176,526 |
| 15.811 | Gap Analysis Program | 186,722 |
| 15.812 | Cooperative Research Units Program | 304,578 |
| 15.899 | USDI/Geological Survey | 9,015 |
| 15.904 | Historic Preservation Fund Grants-in-Aid | (79) |
| 15.915 | Technical Preservation Services | 113,386 |
| 15.915 | Technical Preservation Services: From University of Idaho | 32,746 |
| 15.916 | Outdoor Recreation: Acquisition, Development and Planning | 119,151 |
| 15.921 | Rivers, Trails and Conservation Assistance | 44,577 |
| 15.921 | Rivers, Trails and Conservation Assistance: From Univ. of Wyoming Res.. Ct | 3,222 |
| 15.999 | Miscellaneous Non-Major Grants | 3,803,131 |
| 15.999 | Miscellaneous Non-Major Grants: From Nat. Fish & Wildlife | 10,068 |
| 15.AAL | Scientific Studies | 44,959 |
| 15.BBT | Endangered Species Act | 47,982 |
| 15.DAS | BLM Cooperative Agreement | 8,255 |
| TOTAL | | \$7,921,201 |

DEPARTMENT OF JUSTICE

| | | |
|--------|---|---------|
| 16.541 | Part E - Developing, Testing and Demonstrating Promising New Programs | 172,744 |
|--------|---|---------|

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

| | | AMOUNT |
|--|---|--------------------|
| 16.560 | National Institute of Justice Research, Evaluation, and Development Project Grants: From Univ of Central Florida | 11,666 |
| 16.580 | Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Prog | 110,082 |
| 16.710 | Public Safety Partnership and Community Policing Grants | 2,611,139 |
| TOTAL | | \$2,905,631 |
| DEPARTMENT OF LABOR | | |
| 17.268 | H-1B High Growth Job Training Grants: From Fort Peck College | 47,998 |
| TOTAL | | \$47,998 |
| DEPARTMENT OF STATE | | |
| 19.500 | Middle East Partnership Initiative (MEPI) | 313,196 |
| 19.500 | Middle East Partnership Initiative (MEPI): From IREX | 149,104 |
| TOTAL | | \$462,300 |
| DEPARTMENT OF TRANSPORTATION | | |
| 20.109 | Air Transportation Centers of Excellence: From Aerdyne Research Inc. | 28,684 |
| 20.200 | Federal Highway Administration | 3,541,491 |
| 20.200 | Federal Highway Administration: From Lois Berger Group Inc. | 2,871 |
| 20.200 | Federal Highway Administration: From Blaine County | (339) |
| 20.200 | Federal Highway Administration: From Nat. Acad. of Science | 23,790 |
| 20.200 | Federal Highway Administration: From Univ. of Iowa | 3,500 |
| 20.205 | Highway Planning and Construction: From Ctr for Native Ecosystems | 4,209 |
| 20.514 | Transit Planning and Research | 17,135 |
| 20.600 | State and Community Highway Safety | 7,027 |
| 20.601 | Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants: From Univ. of Iowa | 7,842 |
| 20.614 | National Highway Transportation Safety Administration (NHTSA) Discretionary Safety Grants: From Pac. Inst. for Research | 40,711 |
| 20.704 | RITA Hydrogen | 653,720 |
| 20.762 | Research Grants | 1,567,175 |
| TOTAL | | \$5,897,816 |
| GENERAL SERVICES ADMINISTRATION | | |
| 39.003 | Donation of Federal Surplus Personal Property: From University of Alaska | 87,696 |
| TOTAL | | \$87,696 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

AMOUNT

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

| | | |
|--------|--|--------------------|
| 43.001 | Aerospace Education Services Program | 3,140,957 |
| 43.001 | Aerospace Education Services Program: From John Hopkins Univ. | 22,621 |
| 43.001 | Aerospace Education Services Program: From Univ. of Calif. Berkeley | 44,575 |
| 43.001 | Aerospace Education Services Program: From Lockheed Martin Corp. | 317,578 |
| 43.001 | Aerospace Education Services Program: From Southwest Research Ins. | 8,407 |
| 43.001 | Aerospace Education Services Program: From Smithsonian Astrophysical | 313,257 |
| 43.001 | Aerospace Education Services Program: From University of Illinois | 19,542 |
| 43.001 | Aerospace Education Services Program: From Portland State Univ. | 5,410 |
| 43.001 | Aerospace Education Services Program: From CA Institute of Tech | 78,575 |
| 43.002 | Technology Transfer | 942,918 |
| 43.002 | Technology Transfer: From Calif. State Univ. - M. B. | 17,501 |
| 43.002 | Technology Transfer: From Carnegie Institute | 44,426 |
| 43.002 | Technology Transfer: From Univ of North Dakota | 30,737 |
| 43.002 | Technology Transfer: From Jet Propulsion Lab | 11,648 |
| 43.002 | Technology Transfer: From Arizona State Univ. | 13,910 |
| 43.002 | Technology Transfer: From Smithsonian Astrophysical | 20,511 |
| 43.002 | Technology Transfer: From Advr Inc. | 746 |
| 43.999 | Miscellaneous Non-Major Grants | 1,892,846 |
| 43.999 | Miscellaneous Non-Major Grants: From SW Research Inst. | 53,125 |
| 43.999 | Miscellaneous Non-Major Grants: From Univ. of Idaho | 8,398 |
| 43.999 | Miscellaneous Non-Major Grants: From Portland State Univ. | 14,428 |
| 43.999 | Miscellaneous Non-Major Grants: From Penn State University | 29,312 |
| 43.999 | Miscellaneous Non-Major Grants: From CA Institute of Tech | 119,097 |
| 43.999 | Miscellaneous Non-Major Grants: From Qualtech Systems | 26,882 |
| | TOTAL | \$7,177,407 |

NATIONAL ENDOWMENT FOR THE HUMANITIES

| | | |
|--------|---------------------|-----------------|
| 45.301 | Museums for America | 34,097 |
| | TOTAL | \$34,097 |

NATIONAL SCIENCE FOUNDATION

| | | |
|--------|--------------------|-----------|
| 47.041 | Engineering Grants | 1,496,355 |
|--------|--------------------|-----------|

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

| | AMOUNT |
|--|---------------------|
| 47.041 Engineering Grants: From Univ. of Minnesota | 2,848 |
| 47.041 Engineering Grants: From Resonon Inc | 40,674 |
| 47.041 Engineering Grants: From Bridger Photonics | 131,870 |
| 47.041 Engineering Grants: From Montana Molecular LLC | 136 |
| 47.049 Mathematical and Physical Sciences | 1,009,301 |
| 47.049 Mathematical and Physical Sciences: From Unif. of Calf San Cruz | 63,217 |
| 47.050 Geosciences | 1,921,062 |
| 47.050 Geosciences: From Global Enviro. Strategies | 16,777 |
| 47.050 Geosciences: From Univ of Hawaii Monoa | 40,967 |
| 47.050 Geosciences: From Consort of Hydrolic Sci | 65,338 |
| 47.070 Computer and Information Science and Engineering | 508,261 |
| 47.074 Biological Sciences | 5,062,224 |
| 47.074 Biological Sciences: From Univ. of Calf. Berkeley | 122,779 |
| 47.074 Biological Sciences: From Harvard University | 5,526 |
| 47.074 Biological Sciences: From Wash. State Univ. | 110,391 |
| 47.074 Biological Sciences: From Univ. of Nebraska Medical | 12,211 |
| 47.074 Biological Sciences: From Duke University | 35,257 |
| 47.074 Biological Sciences: From West Virginia University | 46,226 |
| 47.075 Social, Behavioral, and Economic Sciences | 826,996 |
| 47.076 Education and Human Resources | 2,209,554 |
| 47.076 Education and Human Resources: From Nat. Sci Teaches Assoc. | 293,890 |
| 47.076 Education and Human Resources: From Salish Kootenai College | 270,323 |
| 47.076 Education and Human Resources: From Penn State University | 77,107 |
| 47.078 Polar Programs | 917,142 |
| 47.078 Polar Programs: From San Diego State Univ. | 22,372 |
| 47.078 Polar Programs: From University of Nebraska | 53,536 |
| 47.079 International Science and Engineering (OISE) | 54,499 |
| 47.080 Office of Cyberinfrastructure | 3,376,094 |
| 47.082 ARRA Trans-NSF Recovery Act Research Support | 17,224 |
| 47.999 Miscellaneous Non-Major Grants: From Portland State University | 225,061 |
| TOTAL | \$19,035,218 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

AMOUNT

SMALL BUSINESS ADMINISTRATION

| | | |
|--------------|---|------------------|
| 59.000 | Small Business Administration-Technical Assistance Grant | 113,419 |
| 59.006 | Business Development Program | 24,946 |
| 59.051 | New Markets Venture Capital Program, Operational Assistance (OA) Grants | (1,076) |
| 59.999 | Miscellaneous Non-Major Grants | 23,604 |
| TOTAL | | \$160,893 |

ENVIRONMENTAL PROTECTION AGENCY

| | | |
|--------|--|---------|
| 66.034 | Surveys, Studies, Invest., Demonst and Special Purp Act Relating to the Clean Air Act | 309,365 |
| 66.034 | Surveys, Studies, Invest., Demonst and Special Purp Act Relating to the Clean Air Act: From Health Effects Inst. | (9,445) |
| 66.034 | Surveys, Studies, Invest., Demonst and Special Purp Act Relating to the Clean Air Act: From Nez Perce Tribe | 35,936 |
| 66.034 | Surveys, Studies, Invest., Demonst and Special Purp Act Relating to the Clean Air Act: From Health Effects Inst. | 231,117 |
| 66.419 | Water Pollution Control-State and Interstate Program Support | 61,750 |
| 66.460 | Nonpoint Source Implementation Grants: From Sheridan Co Con Dist. | 12,101 |
| 66.461 | Regional Wetland Program Development Grants | 33,866 |
| 66.461 | Regional Wetland Program Development Grants: From NM Surface Water Qtly | 59,949 |
| 66.463 | Water Quality Cooperative Agreements: From Virginia Polytechnic | 14,678 |
| 66.509 | Science To Achieve Results (STAR) Research Program | 143,234 |
| 66.512 | Regional Environmental Monitoring and Assessment Program | 27,882 |
| 66.513 | Greater Research Opportunities (GRO) Fellowships For Undergraduate/Grad Environ Study | 11,310 |
| 66.608 | One Stop Reporting: From Pacific NW Pollution Cntr | 515 |
| 66.708 | Pollution Prevention Grants Program | 217,047 |
| 66.709 | Multi-Media Capacity Building Grants for States and Tribes | 58,552 |
| 66.715 | Lead Educational Outreach and Baseline Assessment of Tribal Children's Exposure: From Nat Ctr for Healthy Hous. | 3,068 |
| 66.716 | Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach | 262,966 |
| 66.717 | Source Reduction Assistance | 16,000 |
| 66.802 | Superfund State, Political Subdivision, and Indian Tribe Site - Specific Coop.: From Butte Silverbow | 22,868 |
| 66.999 | Miscellaneous Non-Major Grants: From American Water Works | 14,439 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

| | | AMOUNT |
|-----------------------------|--|--------------------|
| 66.999 | Miscellaneous Non-Major Grants: From Ruby Valley Conserv. Dist. | 32,501 |
| TOTAL | | \$1,559,699 |
| DEPARTMENT OF ENERGY | | |
| 81.049 | ARRA Office of Science Financial Assistance Program | 350,288 |
| 81.049 | Office of Science Financial Assistance Program | 1,006,041 |
| 81.049 | Office of Science Financial Assistance Program: From Michigan State Univ | 1,395 |
| 81.049 | Office of Science Financial Assistance Program: From Inland NW Research All. | 94,551 |
| 81.049 | Office of Science Financial Assistance Program: From Aerodyne Research Inc. | 33 |
| 81.049 | Office of Science Financial Assistance Program: From Univ of California | (3,222) |
| 81.049 | Office of Science Financial Assistance Program: From UT Battelle, LLC | 4,990 |
| 81.049 | Office of Science Financial Assistance Program: From Los Alamo Nat Security | 158,365 |
| 81.057 | University Coal Research | 35 |
| 81.064 | Office of Scientific and Technical Information: From Miami Univ. of Ohio | 127,412 |
| 81.064 | Office of Scientific and Technical Information: From Univ. of Oklahoma | (967) |
| 81.079 | Regional Biomass Energy Programs: From S. Dakota State Univ. | 25,875 |
| 81.086 | Conservation Research and Development: From Pacific State Marine | 150,126 |
| 81.087 | Renewable Energy Research and Development | 751,668 |
| 81.087 | Renewable Energy Research and Development: From Cons. for Plant Biotech. | 24,460 |
| 81.087 | Renewable Energy Research and Development: From Siemens Power Gen.Inc | 51,329 |
| 81.087 | Renewable Energy Research and Development: From Inland NW Research All. | 18,101 |
| 81.089 | Fossil Energy Research and Development | 9,603,102 |
| 81.089 | Fossil Energy Research and Development: From Virginia Polytechnics | 61,902 |
| 81.089 | Fossil Energy Research and Development: From Inland NW Research All. | 16,472 |
| 81.104 | Office of Environmental Cleanup and Acceleration | 50,832 |
| 81.104 | Office of Environmental Cleanup and Acceleration: From Mountain States Energy | (4,470) |
| 81.117 | Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training: From West Virg. Univ. Res. Cor | (2,550) |
| 81.121 | Nuclear Energy Research, Development and Demonstration: From Idaho Nat. Eng EI | (201) |
| 81.122 | Electricity Delivery and Energy Reliability, Research, Development and Analysis | 379,179 |
| 81.123 | NNSA Minority Serving Institutions (MSI) Program: From Los Alamos Nat. Lab | 8,987 |
| 81.999 | Miscellaneous Non-Major Grants: From Inland NW Research All. | 34,747 |
| 81.999 | Miscellaneous Non-Major Grants: From SM Stroller Corp | 2,185 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

AMOUNT

| | | |
|--------------|--|---------------------|
| 81.999 | Miscellaneous Non-Major Grants: From Umatilla Tribe | 75,863 |
| 81.999 | Miscellaneous Non-Major Grants: From Battelle Energy | 5,933 |
| TOTAL | | \$12,992,461 |

DEPARTMENT OF EDUCATION

| | | |
|--------------|---|--------------------|
| 81.112 | Stewardship Science Grant Program: From Oregon Fish & Wild. | 8,956 |
| 84.016 | Undergraduate International Studies and Foreign Language | 43,027 |
| 84.017 | International Research and Studies | 170,367 |
| 84.031 | Higher Education Institutional Aid: From Univ. of Calif. Berkeley | 10,271 |
| 84.060 | Indian Education Grants to Local Educational Agencies | 58,735 |
| 84.116 | Fund for the Improvement of Postsecondary Education | 50,967 |
| 84.120 | Minority Science and Engineering Improvement | 41,666 |
| 84.133 | National Institute on Disability and Rehabilitation Research | 329,394 |
| 84.133 | National Institute on Disability and Rehabilitation Research: From Oregon Health Sci Univ. | 42,781 |
| 84.133 | National Institute on Disability and Rehabilitation Research: From Univ. of Kansas | 14,722 |
| 84.133 | National Institute on Disability and Rehabilitation Research: From Portland State Univ. | 52,670 |
| 84.133 | National Institute on Disability and Rehabilitation Research: From Baylor College of Med. | 23,964 |
| 84.215 | Fund for Improvement of Education: From Bozeman School Dist. | 137,290 |
| 84.299 | Indian Education - Special Programs | 1,030,452 |
| 84.324 | Special Education-Research and Innovation to Improve Services and Results for Children: From Univ of CA - Riverside | 10,682 |
| 84.350 | Transition to Teaching | (103) |
| 84.373 | Special Education -Technical Assistance on State Data Collection: From Meeting The Challenge | 36,054 |
| 84.378 | College Access Challenge Grant Program | 137,208 |
| TOTAL | | \$2,199,103 |

DEPARTMENT OF HEALTH AND HUMAN SERVICES

| | | |
|--------|---|-----------|
| 93.051 | New Demonstration Grants to States with Respect to Alzheimer's Disease | 498 |
| 93.107 | Model State-Supported Area Health Education Centers | 601,609 |
| 93.113 | Biological Response to Environmental Health Hazards | 1,936,029 |
| 93.121 | Oral Diseases and Disorders Research | 45,831 |
| 93.136 | Injury Prevention and Control Research and State and Community Based Programs | 109,412 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

AMOUNT

| | | |
|--------|---|-----------|
| 93.155 | Rural Health Research Centers | 7,576 |
| 93.172 | Human Genome Research: From Stanford Univ. | 15,824 |
| 93.173 | Research Related to Deafness and Communication Disorders | 13,452 |
| 93.173 | Research Related to Deafness and Communication Disorders: From Allegheny-Singer | (826) |
| 93.178 | Nursing Workforce Diversity | 332,860 |
| 93.184 | Disabilities Prevention | 137,818 |
| 93.206 | Human Health Studies Applied Research and Development | 105,310 |
| 93.210 | Tribal Self-Governance Program: IHS Compacts/Funding Agreements | 188,911 |
| 93.213 | Research and Training in Complementary and Alternative Medicine | 879,529 |
| 93.226 | Research on Healthcare Costs, Quality and Outcomes | 113,439 |
| 93.231 | Epidemiology Cooperative Agreements: From RMTEC | 26,833 |
| 93.242 | Mental Health Research Grants | 644,742 |
| 93.242 | Mental Health Research Grants: From Montana Molecular LLC | 25,779 |
| 93.247 | Advanced Education Nursing Grant Program | 241,816 |
| 93.262 | Occupational Safety and Health Program: From Univ. of Utah | 12,761 |
| 93.276 | Drug-Free Communities Support Program Grants: From Palo Alto Med Foundation | 138 |
| 93.276 | Drug-Free Communities Support Program Grants: From Wy Dept of Health | 416,031 |
| 93.279 | Drug Abuse Research Programs | 337,471 |
| 93.283 | Centers for Disease Control and Prevention-Investigations and Technical Assistance | 128,997 |
| 93.286 | Discovery and Applied Research for Technological Innovations to Improve Human Health | 538,024 |
| 93.286 | Discovery and Applied Research for Technological Innovations to Improve Human Health: From Univ. of Washington | 66,200 |
| 93.286 | Discovery and Applied Research for Technological Innovations to Improve Human Health: From University of Illinois | 82,032 |
| 93.296 | State Partnership Grant Program to Improve Minority Health | 144 |
| 93.301 | Small Rural Hospital Improvement Grant Program | 409,959 |
| 93.307 | Minority Health and Health Disparities Research | 1,930,540 |
| 93.307 | Minority Health and Health Disparities Research: From Little Big Horn College | 151,043 |
| 93.310 | Trans-NIH Research Support: From Ateris Tech. LLC | 127,729 |
| 93.358 | Advanced Education Nursing Traineeships | 30,265 |
| 93.359 | Nurse Education, Practice and Retention Grants: From Univ. of Washington | 24 |
| 93.361 | Nursing Research | 426,605 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

| | AMOUNT |
|---|---------------|
| 93.389 National Center for Research Resources | 10,262,297 |
| 93.389 National Center for Research Resources: From ZDye Corp | 328,735 |
| 93.389 National Center for Research Resources: From Resonon Inc | 18,762 |
| 93.389 National Center for Research Resources: From Seattle Child. Res Inst. | 9,636 |
| 93.393 Cancer Cause and Prevention Research | 466,977 |
| 93.394 Cancer Detection and Diagnosis Research | 3,860 |
| 93.395 Cancer Treatment Research | 16,180 |
| 93.395 Cancer Treatment Research: From Vanderbilt University | 90,557 |
| 93.395 Cancer Treatment Research: From Univ. of Calif San Diego | 23,105 |
| 93.396 Cancer Biology Research | 18,813 |
| 93.568 Low Income Home Energy Assistance: From Nat Ctr Appop Tech. | 110,926 |
| 93.631 Developmental Disabilities Projects of National Significance | 96,243 |
| 93.647 Social Services Research and Demonstration | (115) |
| 93.701 ARRA Trans-NIH Recovery Act Research Support | 94,128 |
| 93.779 Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations | 404,050 |
| 93.837 Heart and Vascular Diseases Research | 120,477 |
| 93.838 Lung Diseases Research | 778,799 |
| 93.838 Lung Diseases Research: From Univ. of Rochester | 625 |
| 93.846 Arthritis, Musculoskeletal and Skin Diseases Research | 27,742 |
| 93.847 Diabetes, Endocrinology and Metabolism Research | 243,319 |
| 93.848 Digestive Diseases and Nutrition Research | 65,432 |
| 93.853 Extramural Research Programs in the Neurosciences and Neurological Disorders | 2,045,543 |
| 93.853 Extramural Research Programs in the Neurosciences and Neurological Disorders: From Yale University | 176,983 |
| 93.855 Allergy, Immunology and Transplantation Research | 3,433,456 |
| 93.855 Allergy, Immunology and Transplantation Research: From Univ. of Connecticut | 31,991 |
| 93.856 Microbiology and Infectious Diseases Research | 942,111 |
| 93.856 Microbiology and Infectious Diseases Research: From Colorado State Univ. | 1,919,290 |
| 93.859 Biomedical Research and Research Training | 3,782,675 |
| 93.859 Biomedical Research and Research Training: From Case Western Univ. | 66,039 |
| 93.859 Biomedical Research and Research Training: From Ohio Universtiy | 90,705 |
| 93.865 Child Health and Human Development Extramural Research: From Medical Coll. of Georgia | 34,981 |

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ending June 30, 2009

AMOUNT

| | | |
|--------------|--|---------------------|
| 93.866 | Aging Research | 116,924 |
| 93.867 | Vision Research: From Univ. of Rochester | 59,357 |
| 93.879 | Medical Library Assistance | 5,204 |
| 93.970 | Health Professions Recruitment Program for Indians | 72,285 |
| 93.974 | Family Planning Service Delivery Improvement Research Grants | 150,158 |
| 93.999 | Miscellaneous Non-Major Grants: From Aquila Technologies | 141,388 |
| 93.999 | Miscellaneous Non-Major Grants: From ORC Macro | 361 |
| TOTAL | | \$36,334,404 |

CORPORATION FOR NATIONAL & COMMUNITY SERVICE

| | | |
|--------------|--|----------------|
| 94.007 | Planning and Program Development Grants: From Regis University | 8,727 |
| TOTAL | | \$8,727 |

HOMELAND SECURITY

| | | |
|--------------|---|------------------|
| 97.017 | Pre-Disaster Mitigation (PDM) Competitive Grants: From Butte Silver Bow | 91,590 |
| 97.043 | State Fire Training Systems Grants | 27,170 |
| 97.086 | Homeland Security Outreach, Education, and Technical Assistance | 104,385 |
| TOTAL | | \$223,145 |

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

| | | |
|--------------|--|------------------|
| 98.005 | Institutional Capacity Building (ICB): From Univ of Hawaii Monoa | 204,519 |
| TOTAL | | \$204,519 |

| | |
|---|------------------------|
| TOTAL RESEARCH AND DEVELOPMENT CLUSTER | \$125,023,887 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | \$2,328,397,559 |

**STATE OF MONTANA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Note 1. Basis of Accounting

The assistance amounts presented in the accompanying Schedule of Expenditures of Federal Awards of the State of Montana are generally expenditures or reimbursement revenues recorded on the modified accrual basis of accounting. This basis recognizes expenditures in the accounting period in which the liability is incurred and revenues when measurable and available. Assistance amounts reported on a basis other than modified accrual are discussed below.

Food Distribution Program

The amount reported for Food Distribution programs (CFDA #10.550, #10.567, #10.569, #10.570 and #10.565 and #93.053) represents the dollar value of food commodities distributed to eligible recipients during the year. The U.S. Department of Agriculture provides the current value of the commodities used by the state to compute the amount reported. The amount of funds received to administer the program is also included in the reported amount. Montana also distributes food commodities to other states in the western region of the United States, the value of which is excluded from the reported amounts. During fiscal year 2009, Montana distributed \$435,736 of food commodities under CFDA #10.567 to other states.

The state of Montana distributed \$9,079,521 in commodities in fiscal year 2009. The value at June 30, 2009 of commodities stored at the state's warehouse is \$2,033,204 for which the state is liable in the event of loss. The state has insurance to cover this liability.

Federal Surplus Personal Property

In accordance with General Service Administration guidelines, the amount presented for Donations of Federal Surplus Personal Property (CFDA #39.003) is 23.3 percent of the original acquisition cost of the property.

Capitalization Grants for State Revolving Funds

The amount presented for the Capitalization Grants for Water Pollution Control State Revolving Fund (CFDA #66.458) represents federal contributions, plus the administrative costs expended as of June 30, 2009. The amount of loans outstanding as of June 30, 2009 in the Water Pollution Control Revolving Fund Program is \$160,155,627.

The amount presented for the Drinking Water State Revolving Fund Program (CFDA #66.468) represents federal contributions, plus administrative costs

expended as of June 30, 2009. The amount of loans outstanding for the program as of June 30, 2009 is \$93,985,172.

Special Economic Development and Adjustment Assistance Program

The amount presented for the Special Economic Development and Adjustment Assistance Program (CFDA #11.307) represents federal contributions, plus the administrative costs expended as of June 30, 2009. The amount of loans outstanding as of June 30, 2009 is \$395,712.

Temporary Assistance to Needy Families Loan Program

The Temporary Assistance to Needy Families (CFDA #93.558) contributes to a housing loan program. The amount of housing loans outstanding as of June 30, 2009 is \$618,038.

Federal Family Education Loans

The Montana Guaranteed Student Loan Program (MGSLP) guaranteed \$222,224,389 (net) in new loans for the Federal Family Education Loans (CFDA #84.032) program during fiscal year 2009. The outstanding loan balance (including principal, accrued interest and collection cost) of loans guaranteed in previous years for which the federal government has imposed continuing compliance requirement was \$46,207,314 at June 30, 2009. The dollar amount of Default Aversion Fees transferred from the Federal Fund to the Agency's Operating Fund during fiscal year 2009 was \$670,826. In addition, MGSLP received or accrued revenue from the U.S. Department of Education in fiscal year 2009 of \$16,455,053 for reinsurance to pay claims for loans due to death, disability, default and bankruptcy of the debtor.

Federal Perkins Loan Program – Federal Capital Contributions

The amount reported for the Federal Perkins Loan Program – Federal Capital Contributions (CFDA #84.038) represents federal contributions, plus the administrative costs, plus interest expended as of June 30, 2009. The amount of loans outstanding as of June 30, 2009 is \$33,996,818.

Nursing Student Loan Program

The amount of loans outstanding for the Nursing Student Loan Program (CFDA # 93.364) as of June 30, 2009 is \$2,041,436.

Nursing Faculty Loan Program

The amount of loans outstanding for the Nursing Faculty Loan Program (CFDA # 93.264) as of June 30, 2009 is \$85,302.

Childhood Immunization Grants

The amount reported for the Childhood Immunization Grants (CFDA #93.268) includes the dollar value of vaccine doses received during fiscal year 2009. The state used the CDC price list to calculate the value of doses received. During fiscal year 2009, Montana received 189,830 vaccine doses valued at \$6,624,371.

Tongue River –Northern Cheyenne Tribal Loan

The Northern Cheyenne Tribe and the Department of Natural Resources and Conservation entered into an agreement on July 1, 1994 in which the tribe agreed to loan the State of Montana \$11,300,000 federal funds appropriated as part of the Northern Cheyenne Indian Reserved Water Rights Settlement. The loan is to assist the state in financing costs of the Tongue River Dam project. No expenditures of tribal loan funds were incurred on project costs during FY 2009. The amount of the loan outstanding as of June 30, 2009 is \$8,402,564.

Middle Creek Dam Rehabilitation Project Loan

The Department of Natural Resources and Conservation and the U.S. Department of the Interior, Bureau of Reclamation (BOR) entered into an agreement on September 21, 1990. The BOR agreed to loan the State of Montana "...a sum of money not to exceed the lesser of (1) \$3,023,925 plus reimbursable interest during construction or (2) the actual cost of the project including reimbursable interest during construction..." The total loan repayable is \$ 2,990,129 and interest during construction is \$281,857. The amount, as of June 30, 2009, of loan outstanding is \$2,432,943 and of interest during construction outstanding is \$207,275.

Note 2. Type A Federal Programs

The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the level of federal award expenditures to be used in defining Type A and Type B federal assistance programs.

Type A programs for the state of Montana are those which total federal awards expenditures equal or exceed \$13,286,423 for the biennial period.

Note 3. CFDA #

The CFDA # assigned for each federal program listed in the Schedule of Expenditures of Federal Awards was based upon agency agreements with the federal government and the Catalog of Federal Domestic Assistance in effect during the audit period.

Programs not assigned a CFDA # in the Catalog of Federal Domestic Assistance were assigned a CFDA # in the format **.999. The first two digits represent the federal agency, the third digit represents the division within the federal agency. Also see footnote 10.

Research is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. The term research also includes activities involving the training of individuals in research techniques where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function. Development is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes.

Note 4. Federal Excess Personal Property

The State of Montana receives Federal Excess Personal Property (FEPP). The title to this property remains with the federal agency. In accordance with General Services Administration guidelines, the amount presented in the FEPP is 23.3 percent of the original acquisition cost of the property. The following is a list of the FEPP received by the State of Montana.

| <u>CFDA #</u> | <u>Program</u> | <u>FY 09 Amount</u> | <u>Inventory</u> |
|---------------|---------------------------------|---------------------|------------------|
| 10.203 | Payments to Ag. Exp. Station | \$31,925 | \$170,486 |
| 10.500 | Cooperative Extension Service | \$0 | \$8,632 |
| 10.664 | Cooperative Forestry Assistance | \$ 30,840 | \$5,472,651 |
| 10.999 | Agriculture Misc. Non. Major | \$0 | \$160,738 |
| 12.999 | Defense Misc. Non. Major | \$0 | \$53,590 |
| 43.999 | NASA Misc. Non. Major | \$0 | \$664,050 |
| 47.999 | NSF Misc. Non. Major | (\$22,587) | \$305,479 |

Note 5. Department of Defense (DOD) Firefighting Property (FFP)

The Department of Natural Resources (DNRC) receives DOD Firefighting Property. The title to this property is transferred to the DNRC. In accordance with OMB guidelines, the amounts are presented at fair market value at time of receipt by DNRC. This was determined to be 14% of the original acquisition cost of the property. The following is the value of FFP received by the State of Montana.

| <u>CFDA #</u> | <u>Program</u> | <u>FY 09 Amount</u> | <u>Inventory</u> |
|---------------|-------------------------|---------------------|------------------|
| 12.999 | DOD Firefighter Program | \$212,006 | \$500,653 |

Note 6. Books for the Blind and Physically Handicapped:

The Montana State Library receives “talking book” machines, cassette books, accessories and magazines from the federal government under the Blind and Physically Handicapped program (CFDA #42.001). These items are then distributed to provide library services to blind and physically handicapped individuals. The federal government retains title to these items. The approximate value of the items in inventory (not distributed to individuals) at June 30, 2009, was \$1,097,640. The accompanying Schedule of Expenditures of Federal Awards does not include this amount.

Note 7. Unemployment Benefits

The unemployment compensation system is a federal-state partnership. State unemployment insurance laws must conform to certain provisions of the federal law. Federal funds are expended for administrative costs. State unemployment taxes must be deposited into a state account in the Federal Unemployment Trust Fund, and are used only to pay benefits. State Unemployment Insurance (UI) funds, as well as federal funds, are included on the Schedule of Expenditures of Federal Awards (SEFA).

The following schedule provides a breakdown of the state and federal portions of the total expenditures recorded for the Unemployment Insurance Program (CFDA #17.225), as well as a breakdown between administrative costs and benefit payments:

| | |
|-------------------------|-------------------|
| UI Administrative Costs | \$ 8,877,821 |
| State UI Benefits | 174,818,622 |
| Federal UI Benefits | <u>59,436,947</u> |
| Total | \$ 243,133,390 |

Note 8. Subgrants to State Agencies

Federal assistance subgranted from one Montana state agency to another Montana state agency is shown only once on the Schedule of Expenditures of Federal Awards.

Federal assistance received from non-state sources which are considered subgrants by the awarding agency are treated as pass through grants to the state and are reported on the Schedule of Expenditures of Federal Awards.

Note 9. Passthrough Awards to Non-State Entities

The following is a list of federal funds passed through from the state of Montana to non-state entities for fiscal year 2009.

| <i>CFDA Number</i> | <i>Program Title</i> | <i>Amount Provided To Subrecipient</i> |
|------------------------|---|--|
| 10.163 | Market Protection and Promotion | 24,354 |
| 10.169 | Specialty Crop Block Grant Program | 55,727 |
| 10.200 | Grants for Agricultural Research, Special Research Grants | 620,991 |
| 10.206 | Grants for Agricultural Research & Competitive Research Grants | 301,638 |
| 10.210 | Food and Agricultural Sciences National Needs Graduate Fellowship Grants | 12,000 |
| 10.217 | Higher Education Challenge Grants | 111,593 |
| 10.250 | Agricultural and Rural Economic Research | 85,541 |
| 10.303 | Integrated Programs | 12,687 |
| 10.305 | International Science and Education Grants | 16,000 |
| 10.455 | Community Outreach and Assistance Partnership Program | 7,598 |
| 10.456 | Partnership Agreements to Develop Non-Insurance Risk Management Tools for Producers (Farmers) | 97,900 |
| 10.500 | Cooperative Extension Service | 165,962 |
| 10.550 | Food Donation | 3,138,902 |
| 10.553 | Child and Adult Care Food Program | 5,407,640 |
| 10.555 | National School Lunch Program | 20,042,291 |
| 10.556 | Special Milk Program for Children | 23,768 |
| 10.557 | Special Supplemental Nutrition Program for WIC | 3,551,144 |
| 10.558 | Child and Adult Care Food Program | 866,965 |
| 10.559 | Summer Food Program for Children | 816,493 |
| 10.561 | State Administrative Matching Grants for Food Stamp Program | 1,704,843 |
| 10.567 | Food Distribution Program on Indian Reservations | 1,635,646 |
| 10.568 | ARRA Emergency Food Assistance Program (Administrative Costs) | 18,386 |
| 10.568 | Emergency Food Assistance Program (Administrative Costs) | 54,170 |
| 10.572 | WIC Farmers' Market Nutrition Program (FMNP) | 97,033 |
| 10.579 | ARRA Child Nutrition Discretionary Grants Limited Availability | 55,000 |
| 10.582 | Fresh Fruit and Vegetable Program | 421,978 |
| 10.652 | Forestry Research | 50,415 |
| 10.664 | Cooperative Forestry Assistance | 3,241,650 |
| 10.665 | Schools and Roads-Grants to States | 28,175,029 |
| 10.672 | Rural Development, Forestry, and Communities | 234,042 |
| 10.677 | Forest Land Enhancement Program | 6,841 |
| 10.902 | Soil and Water Conservation | 40,000 |
| 11.555 | Public Safety Interoperable Communications Grant Program | 36,800 |
| 11.611 | Manufacturing Extension Partnership | 5,540 |
| 12.002 | Procurement Technical Assistance For Business Firms | 850,034 |
| 12.114 | Collaborative Research and Development | 163,445 |
| 12.300 | Basic and Applied Scientific Research | 284,662 |
| 12.420 | Military Medical Research and Development | 5,986 |
| 12.910 | Research & Technology Development | 16,878 |
| 14.228 | Community Development Block Grant/State's Program | 4,560,632 |
| 14.239 | Home Investment Partnerships Program | 2,692,340 |
| 15.224 | Miscellaneous Non-Major Grants | 74,610 |
| 15.228 | Wildland Urban Interface Community and Rural Fire Assistance | 531,439 |
| 15.811 | Gap Analysis Program | 5,083 |
| 15.904 | Historic Preservation Fund Grants-In-Aid | 89,401 |
| 15.916 | Outdoor Recreation-Acquisition, Development and Planning | 214,231 |
| 15.999 | Miscellaneous Department of the Interior | 166,842 |
| 16.523 | Juvenile Accountability Incentive Block Grants | 235,667 |
| 16.540 | Juvenile Justice and Delinquency Prevention: Allocation to States | 521,421 |
| 16.548 | Title V Delinquency Prevention Program | 46,398 |
| 16.575 | Crime Victim Assistance | 1,226,580 |
| 16.580 | E. Byrne Memorial State and Local Law Enforcement Assistance Dis. Grants Prog | 34,929 |
| 16.588 | Violence Against Women Formula Grant | 564,897 |
| 16.593 | Residential Substance Abuse Treatment for State Prisoners | 58,501 |
| 16.609 | Community Prosecution and Project Safe Neighborhoods | 65,000 |
| 16.727 | Enforcing Underage Drinking Laws Program | 594,048 |
| 16.738 | Edward Byrne Memorial Justice Assistance Grant Program | 385,184 |
| 16.744 | Crime Victim Assistance | 61,900 |
| 17.235 | Senior Community Service Employment Program | 607,728 |
| 17.258 | ARRA Violence Against Women Formula Grants | 43,670 |
| 17.258 | Violence Against Women Formula Grants | 842,665 |
| 17.259 | ARRA Youth Activities | 234,017 |
| 17.259 | WIA Youth Activities | 1,861,918 |
| 17.261 | Employment and Training Administration Pilots, Demonstrations, and Research Projects | 854,766 |
| 17.268 | H-1B Job Training Grants | 12,773 |
| 20.200 | Enforcing Underage Drinking Laws Program | 112,833 |
| 20.205 | Highway Planning and Construction | 36,299 |
| 20.219 | Recreational Trails | 643,026 |
| 20.500 | Federal Transit - Capital Investment Grants | 51,048 |
| 20.505 | Federal Transit - Metropolitan Planning Grants | 355,313 |
| 20.509 | Formula Grants for Other Than Urbanized Areas | 5,049,650 |
| 20.513 | Capital Assistance Program for the Elderly and Persons with Disabilities | 559,077 |
| 20.515 | State Planning and Research | 35,289 |
| 20.516 | Job Access Reverse Commute | 834,529 |

| <i>CFDA Number</i> | <i>Program Title</i> | <i>Amount Provided To Subrecipient</i> |
|------------------------|---|--|
| 20.600 | State and Community Highway Safety | 471,952 |
| 20.601 | Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants | 581,013 |
| 20.602 | Occupant Protection | 171,811 |
| 20.607 | Alcohol Open Container Requirements | 3,075 |
| 20.608 | Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 12,521 |
| 20.611 | Incentive Grant Program to Prohibit Racial Profiling | 116,767 |
| 20.612 | Incentive Grant Program to Increase Motorcyclist Safety | 12,530 |
| 20.703 | Interagency Hazardous Materials Public Sector Training and Planning Grants | 60,164 |
| 20.704 | Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants | 315,661 |
| 20.762 | Research Grants | 13,504 |
| 39.011 | Election Reform Payments | 156,070 |
| 43.001 | Aerospace Education Services Program | 224,412 |
| 43.002 | Technology Transfer | 52,460 |
| 43.999 | Miscellaneous NASA | 163,589 |
| 45.025 | Promotion of the Arts-Partnership Agreements | 393,565 |
| 45.310 | State Library Program | 13,100 |
| 47.041 | Engineering Grants | 3,330 |
| 47.050 | Geosciences | 434,524 |
| 47.074 | Biological Sciences | 516,490 |
| 47.075 | Social, Behavioral, and Economic Sciences | 42,112 |
| 47.076 | Miscellaneous Non-Major Grants | 464,237 |
| 47.078 | Polar Programs | 26,821 |
| 47.080 | Office of Cyberinfrastructure | 83,569 |
| 59.005 | Internet-Based Technical Assistance | 249,400 |
| 66.034 | Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to th | 33,024 |
| 66.439 | Targeted Watersheds Grants | 21,558 |
| 66.512 | Regional Environmental Monitoring and Assessment Program (REMAP) Research Projects | 16,239 |
| 66.716 | Surveys, Studies, Investigations, Training Demonstrations and Educational Outreach | 89,279 |
| 66.999 | Miscellaneous Non Major | 20,788 |
| 81.042 | Weatherization Assistance for Low-Income Persons | (3,080) |
| 81.049 | Office of Science Financial Assistance Program | 219,295 |
| 81.089 | Fossil Energy Research and Development | 2,655,868 |
| 81.122 | Miscellaneous Non-Major Grants | 111,993 |
| 84.002 | Adult Education-State Grant Program | 1,150,296 |
| 84.010 | Title I Grants to Local Educational Agencies | 40,414,795 |
| 84.011 | Migrant Education-Basic State Grant Program | 997,206 |
| 84.013 | Title I Program for Neglected and Delinquent Children | 102,223 |
| 84.017 | International Research and Studies | 10,000 |
| 84.027 | Special Education - Grants to States | 31,799,237 |
| 84.048 | Vocational Education - Basic Grants to States | 3,377,849 |
| 84.069 | Leveraging Educational Assistance Partnership | 148,645 |
| 84.128 | Rehabilitation Services-Service Projects | 10,000 |
| 84.133 | National Institute on Disability and Rehabilitation Research | 64,997 |
| 84.144 | Migrant Education - Coordination Program | 225,268 |
| 84.173 | Special Education - Preschool Grants | 1,143,959 |
| 84.186 | Safe & Drug Free Schools and Communities - State Grants | 1,321,768 |
| 84.196 | Education for Homeless Children and Youth | 154,433 |
| 84.213 | Even Start - State Educational Agencies | 327,300 |
| 84.215 | Fund for the Improvement of Education | 664,796 |
| 84.243 | Tech-Prep Education | 427,793 |
| 84.287 | Twenty-First Century Community Learning Centers | 4,530,584 |
| 84.293 | Foreign Language Assistance | 53,626 |
| 84.298 | State Grants for Innovative Programs | 143,157 |
| 84.318 | Education Technology State Grants | 1,120,314 |
| 84.323 | Special Education-State Program Improvement Grants for Children with Disabilities | 51,942 |
| 84.325 | Special Education - Personnel Prep. to Improve Serv. & Results for Children with Disabilities | 114,491 |
| 84.330 | Advanced Placement Incentive Program | 7,732 |
| 84.334 | Gaining Early Awareness and Readiness for Undergraduate Programs | 1,092,076 |
| 84.357 | Reading First State Grants | 1,094,690 |
| 84.358 | Rural Education | 154,352 |
| 84.365 | English Language Acquisition Grants | 362,461 |
| 84.366 | Mathematics and Science Partnerships | 945,239 |
| 84.367 | Improving Teacher Quality State Grants | 12,836,799 |
| 84.377 | School Improvement Grants | 1,336,991 |
| 84.999 | Miscellaneous - Non Major | 17,566 |
| 90.401 | Help America Vote Act Requirements Payments | 92,556 |
| 93.003 | Public Health and Social Services Emergency Fund | 1,320,269 |
| 93.041 | Special Programs for the Aging -Title VII, Chapter 3: Prevention | 32,890 |
| 93.042 | Special Programs for the Aging -Title VII, Chapter 2: Long Term Care | 74,719 |
| 93.043 | Special Programs for the Aging - Title III, Part D: Disease Prevention | 104,078 |
| 93.044 | Special Programs for the Aging - Title III, Part B: Supportive Services | 1,475,508 |
| 93.045 | Special Programs for the Aging - Title III, Part C: Nutrition Services | 2,636,372 |
| 93.048 | Special Programs for the Aging - Title IV & and Title II - Discretionary Proj. | 75,000 |
| 93.051 | New Demonstration Grants to States with Respect to Alzheimer's Disease | 498 |

| <i>CFDA Number</i> | <i>Program Title</i> | <i>Amount Provided To Subrecipient</i> |
|------------------------|--|--|
| 93.052 | Nation Family Caregiver Support Program | 689,744 |
| 93.053 | Nutrition Services Incentive Program | 862,286 |
| 93.064 | Laboratory Training, Evaluation, and Quality Assurance Programs | 75,000 |
| 93.104 | Comprehensive Community Mental Health Services for Children | 522,220 |
| 93.107 | Model State-Supported Area Health Education Centers | 370,105 |
| 93.110 | Maternal and Child Health Federal Consolidated Programs | 140,295 |
| 93.116 | Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 25,281 |
| 93.126 | Small Business Innovation Research | 47,124 |
| 93.130 | Primary Care Services Resource Coordination and Development | 25,000 |
| 93.150 | Projects for Assistance in Transition from Homelessness (PATH) | 288,363 |
| 93.184 | Disabilities Prevention | 88,039 |
| 93.206 | Human Health Studies_Applied Research and Development | 483 |
| 93.217 | Family Planning Services | 1,837,227 |
| 93.226 | Research on Healthcare Costs, Quality and Outcomes | 8,000 |
| 93.241 | State Rural Hospital Flexibility Program | 514,934 |
| 93.243 | Substance Abuse and Mental Health Services_Projects of Regional and National Significance | 2,434,185 |
| 93.268 | Immunization Grants | 260,450 |
| 93.276 | Drug-Free Communities Support Program Grants | 183,799 |
| 93.283 | Centers for Disease Control and Prevention-Investigations and Technical Assistance | 4,886,295 |
| 93.286 | Discovery and Applied Research for Technological Innovations to Improve Human Health | 160,236 |
| 93.301 | Small Rural Hospital Improvement Grants | 389,473 |
| 93.307 | Minority Health and Health Disparities Research | 104,862 |
| 93.389 | National Center for Research Resources | 627,813 |
| 93.393 | Cancer Cause and Prevention Research | 187,510 |
| 93.556 | Promoting Safe and Stable Families | 408,942 |
| 93.558 | Temporary Assistance for Needy Families (TANF) | 1,468,091 |
| 93.566 | Minority Health and Health Disparities Research | 34,595 |
| 93.568 | Low-Income Home Energy Assistance | 972,254 |
| 93.569 | Community Services Block Grant | 31,131 |
| 93.575 | Child Care and Development Block Grant | 4,545,254 |
| 93.590 | Community-Based Family Resource and Support Grants | 174,686 |
| 93.597 | Grants to States for Access and Visitation Programs | 100,449 |
| 93.599 | Chafee Education and Training Vouchers Program (ETV) | 203,199 |
| 93.600 | Head Start | 114,723 |
| 93.617 | Voting Access for Individuals with Disabilities-Grants to States | 100,000 |
| 93.618 | Voting Access for Individuals with Disabilities-Grants for Protection and Advocacy Systems | 2,309 |
| 93.630 | Developmental Disabilities Basic Support and Advocacy Grants | 541,792 |
| 93.631 | Developmental Disabilities Projects of National Significance | 18,778 |
| 93.658 | Foster Care Title IV-E | 3,287,773 |
| 93.671 | Family Violence Prevention and Services/Grants for Battered Women | 707,869 |
| 93.674 | Chafee Foster Care Independent Living | (86,859) |
| 93.779 | Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations | 240,272 |
| 93.847 | Diabetes, Endocrinology and Metabolism Research | 138,820 |
| 93.853 | Extramural Research Programs in the Neurosciences and Neurological Disorders | 9,654 |
| 93.855 | Allergy, Immunology and Transplantation Research | 464,554 |
| 93.859 | Biomedical Research and Research Training | 360,846 |
| 93.917 | HIV Care Formula Grants | 117,860 |
| 93.940 | HIV Prevention Activities-Health Department Based | 775,693 |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse | 1,274,879 |
| 93.969 | Geriatric Education Centers | 21,408 |
| 93.974 | Family Planning Service Delivery Improvement Research Grants | 17,791 |
| 93.991 | Preventive Health and Health Services Block Grant | 337,077 |
| 93.994 | Maternal and Child Health Services Block Grant to the States | 1,214,072 |
| 94.004 | Learn and Serve America - School and Community Based Program | 103,722 |
| 94.006 | ARRA Americorps | 122,584 |
| 94.006 | Americorps | 2,409,813 |
| 94.007 | Planning and Program Development Grants | 590 |
| 96.007 | Social Security Research and Demonstration | 2,712 |
| 96.999 | Miscellaneous Non-Major | 5,000 |
| 97.017 | Pre-Disaster Mitigation (PDM) Competitive Grants | 3,344,643 |
| 97.021 | Hazardous Materials Assistance Program | 9,433 |
| 97.036 | Public Assistance Grants | 2,893,461 |
| 97.042 | Emergency Management Performance Grants | 933,347 |
| 97.046 | Fire Management Assistance Grant | 69,224 |
| 97.067 | Homeland Security Grant Program | 8,753,553 |
| 97.078 | Buffer Zone Protection Plan (BZPP) | 208,531 |
| 97.086 | Homeland Security Outreach, Education, and Technical Assistance | 3,397 |
| 97.107 | National Incident Management System (NIMS) | 25,806 |
| 97.999 | Miscellaneous - Non Major | 36,932 |
| 98.005 | Institutional Support Assistance (ISA) | 127,819 |
| | Total | 267,860,595 |

Note 10. Federal Awards not having a CFDA Number

The following schedule contains contract or grant numbers associated with awards that did not have a CFDA number and were assigned a XX.999 number in the Schedule of Expenditures of Federal Awards. Not all XX.999 reported on the SEFA had a grant or contract number.

Schedule of Unknown Federal CFDA Numbers (XX.999)

| Agency | State Agency | Contract or Grant Number | Amount |
|--|-----------------------------|---------------------------------|---------------|
| Peace Corp (08) | | | |
| | Univ. of Montana - Missoula | PC-07-8-051 | 392 |
| | Univ. of Montana - Missoula | PC-08-8-152 | 9,557 |
| Department of Agriculture (10) | | | |
| | Montana State - Bozeman | 04-CS-11015600-018 | 17,945 |
| | Montana State - Bozeman | MT 1601-A33 | 347,189 |
| | Montana State - Bozeman | EFNEP 93-638 | 41,803 |
| | Montana State - Bozeman | 58-5434-3-307 | -5,048 |
| | Montana State - Bozeman | 43-3AEM-4-80111 | 75,046 |
| | Montana State - Bozeman | 65-0325-06-023 | 7,268 |
| | Montana State - Bozeman | 2007-0079-001 | 14,533 |
| | Justice | 17PRMP610Z | 46,494 |
| | Justice | 18PRMP610Z | 31,115 |
| | Justice | G09PRM0042A | 4,504 |
| Department of Commerce (11) | | | |
| | Univ. of Montana - Missoula | IPA #0809 | 15,796 |
| | Univ. of Montana - Missoula | BCYA1323-7-02287 | 163 |
| | Univ. of Montana - Missoula | RA134108SE4095 | 4,807 |
| | Univ. of Montana - Missoula | YA1323-08-SE-0447 | 10,500 |
| | Univ. of Montana - Missoula | OPAS | 7,623 |
| | Univ. of Montana - Missoula | IPA #0913 | 10,662 |
| Department of Defense (12) | | | |
| | Montana State - Bozeman | NRO000-07-C-0105 | -5,107 |
| | Montana State - Bozeman | NRO 000-08-C-0158 | 88,472 |
| | Montana State - Bozeman | N68335-08-C-0445 | 12,230 |
| | Montana State - Bozeman | MDA# HQ0006-09-C-7082 | 24,735 |
| | Montana State - Bozeman | NRO 000-08-C-0158 | 15,894 |
| | Univ. of Montana - Missoula | DPRA-09-0003 | 14,954 |
| | Univ. of Montana - Missoula | W911QY-08-P-0700 | 20,827 |
| | Univ. of Montana - Missoula | W912HZ-08-2-0006 | 4,479 |
| | Univ. of Montana - Missoula | W9128F-08-P-0201 | 17,568 |
| | Univ. of Montana - Missoula | W9128F-09-M-H009 | 6,174 |
| | Univ. of Montana - Missoula | G-2412-1 | 87,434 |
| Department of the Interior (15) | | | |
| | Montana State - Bozeman | J1242067016 | 10,706 |
| | Montana State - Bozeman | 12 | 12,249 |
| | Montana State - Bozeman | J1580080436/MSU-161/170 | 339 |
| | Montana State - Bozeman | L08AC14336 | 6,793 |
| | Montana State - Bozeman | J1571050527 MSU-21 | 306 |
| | Montana State - Bozeman | L08AC13379 | 9,330 |
| | Montana State - Bozeman | H1200040001 MSU-29 | 163 |
| | Montana State - Bozeman | J1460050024 MSU-35 | -1 |
| | Montana State - Bozeman | 06FC602143 | 72,651 |
| | Montana State - Bozeman | 98210-6-J009 | 110,447 |
| | Montana State - Bozeman | 06FC602128 | 17,621 |
| | Montana State - Bozeman | 601816J355 | 10,078 |
| | Montana State - Bozeman | J1460060025 MSU-111 | 18,402 |

Schedule of Unknown Federal CFDA Numbers (XX.999)

| Agency | State Agency | Contract or Grant Number | Amount |
|---------------|-----------------------------|---------------------------------|---------------|
| | Montana State - Bozeman | H1200040001 MSU-112 | 6,849 |
| | Montana State - Bozeman | L08AC14286 | 5,298 |
| | Montana State - Bozeman | L08AC14538 | 27,858 |
| | Montana State - Bozeman | H8812-06-0502 | 15,859 |
| | Montana State - Bozeman | J1242070017-MSU 124/141/168 | 29,644 |
| | Montana State - Bozeman | H12000040001 | -4 |
| | Montana State - Bozeman | J1580070530 | 25,988 |
| | Montana State - Bozeman | H1200040001/J1580070509 | 30,902 |
| | Montana State - Bozeman | H1200040001/J2123077002 | 13,105 |
| | Montana State - Bozeman | H120004001/J2120070118 | 90,304 |
| | Montana State - Bozeman | MSU-136 TASK J1580070508 | 10,111 |
| | Montana State - Bozeman | J1580080088 | 1,715 |
| | Montana State - Bozeman | J1580080122 MSU-149 | 44,418 |
| | Montana State - Bozeman | J1580080405 | 18,586 |
| | Montana State - Bozeman | J1580080407 | 72,039 |
| | Montana State - Bozeman | J1580080614 | 2,115 |
| | Montana State - Bozeman | J1580080564 | 8,806 |
| | Montana State - Bozeman | J21200900006 MSU-179 | 2,935 |
| | Univ. of Montana - Missoula | J1580090381H1 | 3,361 |
| | Univ. of Montana - Missoula | L08AC13592 | 1,559,729 |
| | Univ. of Montana - Missoula | L08AC13029 | 11,121 |
| | Univ. of Montana - Missoula | ESA04I010, T.O. ESA04I006 | 6,008 |
| | Univ. of Montana - Missoula | ESA04I010, T.O. ESF04I014 | 30,870 |
| | Univ. of Montana - Missoula | L08AC15011 | 9,551 |
| | Univ. of Montana - Missoula | ESA0100009, T.O. 29 | 2,410 |
| | Univ. of Montana - Missoula | L08AC14562, L09AC15312 | 21,699 |
| | Univ. of Montana - Missoula | L07AC14747 | 11,033 |
| | Univ. of Montana - Missoula | IPA #L07PX05432 | 13,246 |
| | Univ. of Montana - Missoula | L08PX01586 | 16,945 |
| | Univ. of Montana - Missoula | 2007-0038-000 | 9,945 |
| | Univ. of Montana - Missoula | NP 06-142 | 34,527 |
| | Univ. of Montana - Missoula | 04121HS015 | 1,015 |
| | Univ. of Montana - Missoula | ORDER #621008M002 | 5,000 |
| | Univ. of Montana - Missoula | P.O. 655218M046 | 3,000 |
| | Univ. of Montana - Missoula | CA 1200-99-007, UMT-74 | 1,806 |
| | Univ. of Montana - Missoula | CA 1200-99-007, UMT-76 | -1 |
| | Univ. of Montana - Missoula | CA 1200-99-007, UMT-82 | 17,160 |
| | Univ. of Montana - Missoula | J1242049006, UMT-10 | 20,649 |
| | Univ. of Montana - Missoula | J1242049005, UMT-11 | -881 |
| | Univ. of Montana - Missoula | J1435050009, UMT-16 | 3,427 |
| | Univ. of Montana - Missoula | J1233040020, UMT-07 | 4,360 |
| | Univ. of Montana - Missoula | J1242040901, UMT-09 | -9 |
| | Univ. of Montana - Missoula | J1379050028, UMT-20 | 334 |
| | Univ. of Montana - Missoula | UAF 07-0057 | 123 |
| | Univ. of Montana - Missoula | J1580050583, UMT-26 | 8,216 |
| | Univ. of Montana - Missoula | J1233040020, UMT-27 | 2,019 |
| | Univ. of Montana - Missoula | J1242057016, UMT-35 | 3,479 |

Schedule of Unknown Federal CFDA Numbers (XX.999)

| Agency | State Agency | Contract or Grant Number | Amount |
|---------------|-----------------------------|---------------------------------|---------------|
| | Univ. of Montana - Missoula | J1571060508, UMT-89,102,104,32 | 5,759 |
| | Univ. of Montana - Missoula | J8400060012, UMT-94 | 12,411 |
| | Univ. of Montana - Missoula | J2360060020 | 6,349 |
| | Univ. of Montana - Missoula | J1460060018, UMT-95 | 3,388 |
| | Univ. of Montana - Missoula | J1242057016, UMT-98 | 10,995 |
| | Univ. of Montana - Missoula | J2380050112, UMT-138 | 2,022 |
| | Univ. of Montana - Missoula | J9476061201, UMT-107 | 653 |
| | Univ. of Montana - Missoula | J2380060105, UMT-106 | 22 |
| | Univ. of Montana - Missoula | H6490C217 | 6,613 |
| | Univ. of Montana - Missoula | J1580060468, UMT-101 | 493 |
| | Univ. of Montana - Missoula | J2303060026, UMT-113 | 42,858 |
| | Univ. of Montana - Missoula | J1434060050, UMT-111 | 3,953 |
| | Univ. of Montana - Missoula | J1242067022, UMT-116 | 721 |
| | Univ. of Montana - Missoula | J1460070003, UMT-118 | 647 |
| | Univ. of Montana - Missoula | J9836070003, UMT -117 | 13,768 |
| | Univ. of Montana - Missoula | J1242077002, UMT-121 | 6,378 |
| | Univ. of Montana - Missoula | J1435050094, UMT-128 | 1,367 |
| | Univ. of Montana - Missoula | J1434070042, UMT-131 | 861 |
| | Univ. of Montana - Missoula | J2380070139, UMT-133 | 24,597 |
| | Univ. of Montana - Missoula | UMT-13, UMT-98 | 98,673 |
| | Univ. of Montana - Missoula | J1434070045, UMT-136 | 274 |
| | Univ. of Montana - Missoula | J6140070135, UMT-134 | 28,792 |
| | Univ. of Montana - Missoula | J1242077019, UMT-143 | 2,070 |
| | Univ. of Montana - Missoula | J1750070064, UMT-144 | 3,290 |
| | Univ. of Montana - Missoula | J2303070096, UMT-145 | 25,624 |
| | Univ. of Montana - Missoula | J1242070049, UMT-146 | 4,461 |
| | Univ. of Montana - Missoula | J1242070068, UMT-151 | 10,471 |
| | Univ. of Montana - Missoula | J1242077023, UMT-148 | 6,375 |
| | Univ. of Montana - Missoula | J2380070209, UMT-149 | -5,111 |
| | Univ. of Montana - Missoula | J2310080035, UMT-153 | 118,976 |
| | Univ. of Montana - Missoula | J2030080012, UMT-155 | 2,887 |
| | Univ. of Montana - Missoula | J1242070058, UMT-150 | 7,243 |
| | Univ. of Montana - Missoula | J1434080019, UMT-161 | 47,899 |
| | Univ. of Montana - Missoula | J1434080019, UMT-160 | 144,559 |
| | Univ. of Montana - Missoula | J6490080025, UMT-162, 174 | 140,688 |
| | Univ. of Montana - Missoula | J1435080074, UMT-157 | 18,013 |
| | Univ. of Montana - Missoula | J1580080264, UMT-164 | 33,902 |
| | Univ. of Montana - Missoula | J1434080021, UMT-159 | 8,996 |
| | Univ. of Montana - Missoula | J1434080036, UMT-165 | 22,508 |
| | Univ. of Montana - Missoula | J8755080013, UMT-166 | 16,927 |
| | Univ. of Montana - Missoula | J1571060508, UMT-156 | 19 |
| | Univ. of Montana - Missoula | J1242087007, UMT-167 | 3,989 |
| | Univ. of Montana - Missoula | J1434080044, UMT-169 | 84,607 |
| | Univ. of Montana - Missoula | J1434080043, UMT-170 | 72,299 |
| | Univ. of Montana - Missoula | L08AC14467 | 25,630 |
| | Univ. of Montana - Missoula | J8136080054, UMT-168 | 21,320 |
| | Univ. of Montana - Missoula | J1242087010, UMT-171 | 2,466 |

Schedule of Unknown Federal CFDA Numbers (XX.999)

| Agency | State Agency | Contract or Grant Number | Amount |
|---|-----------------------------|---------------------------------|---------------|
| | Univ. of Montana - Missoula | J143308022, UMT-176 | 2,581 |
| | Univ. of Montana - Missoula | J1580080549, UMT-180 | 617 |
| | Univ. of Montana - Missoula | J1465085378, UMT-182 | 13,283 |
| | Univ. of Montana - Missoula | J1242080019, UMT-184 | 1,295 |
| | Univ. of Montana - Missoula | J1580080544, UMT-175 | 11,327 |
| | Univ. of Montana - Missoula | J2310080001, UMT-183 | 85,942 |
| | Univ. of Montana - Missoula | J1586080018, UMT-179 | 1,431 |
| | Univ. of Montana - Missoula | J1434080054 | 26,562 |
| | Univ. of Montana - Missoula | J2340080051 | 4,629 |
| | Univ. of Montana - Missoula | J1434080088, UMT-190 | 5,875 |
| | Univ. of Montana - Missoula | J2303080037, UMT-187 | 15,115 |
| | Univ. of Montana - Missoula | J1212080053, UMT-191 | 3,150 |
| | Univ. of Montana - Missoula | J1432050062, UMT-30 | 3,089 |
| | Univ. of Montana - Missoula | J1580090083, UMT-193 | 1,741 |
| | Univ. of Montana - Missoula | J2240090009, UMT-194 | 9,452 |
| | Univ. of Montana - Missoula | J1434080053 | 19,677 |
| | Univ. of Montana - Missoula | J1242097003, UMT-198 | 2,764 |
| | DEQ | H1580060002 | 24,763 |
| | Department of Revenue | 0206CA25939 | 284,604 |
| | DNRC | 04FC601876 | 27,656 |
| | DNRC | 1448-60181-5-J170 | 18,399 |
| | DNRC | H1580070001 | 33,758 |
| Department of Justice (16) | | | |
| | Justice | MT056015Y | 383,900 |
| Department of State (19) | | | |
| | Univ. of Montana - Missoula | S-ECAAS-07-GR-150(SS) | 39,635 |
| | Univ. of Montana - Missoula | S-ECAAS-07-GR-150(SS) | 32,909 |
| | Univ. of Montana - Missoula | ST140008GR031 | 36,620 |
| Department of Transportation (20) | | | |
| | Transportation | HFL-17/DTFH70-08-E-00014 | 25,442 |
| Department of Treasury (21) | | | |
| | Commerce | 161:95X1350 | 314,934 |
| | Univ. of Montana - Missoula | FED08-023 | 5,980 |
| National Aeronautics and Space Administration (43) | | | |
| | Montana State - Bozeman | NNA08CN85A | 780,132 |
| | Montana State - Bozeman | UND0014026 | 15,844 |
| | Montana State - Bozeman | SUBAWARD NO. Z641403 | 935 |
| | Montana State - Bozeman | NNA08CN85A | 30,334 |
| | Univ. of Montana - Missoula | NAG5-12540 | -7,929 |
| | Univ. of Montana - Missoula | NNG05GG13G | 181,917 |
| | Univ. of Montana - Missoula | NNG05GH13G | 40,946 |
| | Univ. of Montana - Missoula | NNX07AJ28G | 188,625 |
| | Univ. of Montana - Missoula | #1333806 | 20,362 |
| | Univ. of Montana - Missoula | NNX08AG87A | 265,173 |
| | Univ. of Montana - Missoula | #1319876 | 91,029 |
| | Univ. of Montana - Missoula | NNX08AP59G | 69,121 |
| | Univ. of Montana - Missoula | NNX08AQ63A | 216,357 |

Schedule of Unknown Federal CFDA Numbers (XX.999)

| Agency | State Agency | Contract or Grant Number | Amount |
|--|-----------------------------|---------------------------------|---------------|
| | Univ. of Montana - Missoula | 499962Q | 48,097 |
| | Univ. of Montana - Missoula | ACK657-A | 8,398 |
| | Univ. of Montana - Missoula | 1356497 | 5,028 |
| | Univ. of Montana - Missoula | 207CAD048 | 14,428 |
| | Univ. of Montana - Missoula | 3672-UM-NASA-J90G | 29,312 |
| | Univ. of Montana - Missoula | 1350935 | 44,236 |
| | Univ. of Montana - Missoula | 1364345 | 27,217 |
| | Univ. of Montana - Missoula | 1368208 | 47,644 |
| National Science Foundation (47) | | | |
| | Montana State - Bozeman | 208FOU076 | 225,061 |
| Small Business Admininstration (59) | | | |
| | Department of Commerce | SBAHQ-05-I-0056 | 23,604 |
| Environmental Protection Agency (66) | | | |
| | Montana State - Bozeman | 3110 | 3,268 |
| | Montana State - Bozeman | X-83245801-1 | 11,171 |
| | Univ. of Montana - Missoula | CD97874601 | 32,501 |
| Department of Energy (81) | | | |
| | Montana State - Bozeman | TO 60-5004-101 | 10,670 |
| | Montana State - Bozeman | TASK ORDER 60-5004-202 | 18,997 |
| | Montana State - Bozeman | TASK ORDER 60-4004-506 | 2,772 |
| | Montana State - Bozeman | 60-5004-301 | 2,308 |
| | Montana State - Bozeman | MSU-4101-090209 | 2,185 |
| Department of Education (84) | | | |
| | OPI | ED-08-CO-0076 | 112,551 |
| | OPI | ED-04-CO-0025/0010 | 8,832 |
| | OPI | ED-03-CO-0045 | 660 |
| Department of Public Health and Human Services (93) | | | |
| | Montana State - Bozeman | 1R42EB6360-01 | 128,714 |
| | Univ. of Montana - Missoula | 35126-5S-728 | 361 |
| | PHHS | 5-D20-HP00007-09-00 | 14,025 |
| | PHHS | HHSF223200640153P | 40,554 |
| | PHHS | 211-2007-M-21881 | 15,251 |
| Other Federal (99) | | | |
| | Univ. of Montana - Missoula | PO 2009-023 | 23,641 |
| | Judiciary | SJI-08-T-003 | 26,000 |
| | Judiciary | SJI-07-T-197 | 12,000 |

STATE OF MONTANA

DEPARTMENT RESPONSE

DEPARTMENT OF ADMINISTRATION
DIRECTOR'S OFFICE

C-1



BRIAN SCHWEITZER, GOVERNOR

JANET R. KELLY, DIRECTOR

STATE OF MONTANA

(406) 444-2032
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HELENA, MONTANA 59620-0101

December 22, 2009

Tori Hunthausen, Legislative Auditor
Legislative Audit Division
State Capitol, Room 160
PO Box 201075
Helena MT 59620-1705

RE: Financial Audit 08-01B, State of Montana, for the fiscal year ended
June 30, 2009

Dear Tori:

The Department of Administration's response to the material violation of finance-related legal provisions, resulting from the retirement systems that are not actuarially funded as required by the State Constitution, follows.

While this issue is disclosed and discussed in the financial reporting provided in the State of Montana Comprehensive Annual Financial Report (CAFR), the resolution of the underlying causes must be addressed by the Executive and Legislative Branches of the State and the related Retirement System Boards. Both of these branches of State government and the related Retirement Boards are currently studying the issue and working toward a solution that addresses the underlying causes.

The State of Montana CAFR and the basic financial statements derived from it, as contained in this report, properly report the issue.

I also want to thank you and your staff for your hard work auditing the State financial statements for the fiscal year ended June 30, 2009.

Sincerely,


Janet R. Kelly, Director